

# **COUNTY OF CULPEPER, VIRGINIA**



## **COMPREHENSIVE ANNUAL** **FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2004**



**County of Culpeper, Virginia**

**Comprehensive Annual  
Financial Report**

**Year Ended June 30, 2004**

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**PREPARED BY:**

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Valerie H. Lamb, Finance Director



# COUNTY OF CULPEPER, VIRGINIA

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# INTRODUCTORY SECTION





**County of Culpeper**  
**Frank T. Bossio, County Administrator**  
**302 North Main Street, Culpeper, Virginia 22701**  
**Telephone: (540) 727-3427 Fax: (540) 727-3460**  
**Email: [fbossio@culpepercounty.gov](mailto:fbossio@culpepercounty.gov)**

December 8, 2004

**To the Honorable Members of the Board of Supervisors**  
**To the Citizens of Culpeper County**  
**County of Culpeper, Virginia**

We are pleased to present the Comprehensive Annual Financial Report of the County of Culpeper, Virginia, (the "County"), for the fiscal year ended June 30, 2004. This report was prepared by the County's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Budgetary Controls.** In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects fund are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations. The audit for the fiscal year ended June 30, 2004 has been completed and no material internal control weaknesses or material violations of laws and regulations have been found.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

## **THE REPORTING ENTITY AND ITS SERVICES**

The County of Culpeper report includes all funds and account groups of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, social services, recreation and cultural activities and community development. Additionally, the County operates an airport, water and wastewater utility system and a landfill. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified one discrete component unit. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board is reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government.

The financial statements for the Piedmont Regional Control Board, Rappahannock-Rapidan Regional Commission, and the Rappahannock-Rapidan Community Services Board are not included in the County report. Boards separate from, and independent of, the Board of Supervisors administer these organizations.

Culpeper County is located in north central Virginia, 75 miles southwest of Washington, D.C. and 75 miles northwest of Richmond, Virginia. The county encompasses a land area of 381 square miles. Three U.S. primary and one State primary route traverse the County. Culpeper has a diversified economy with strong manufacturing, trade services, and agricultural sectors. Manufacturing activity includes: auto parts, furniture, kitchen cabinets, wire cable, fiber optics and iron castings.

Major service industries include: international financial telecommunications, uniform rentals, health care, education, and government. International firms have a significant presence in the community. Agriculture remains important in Culpeper's economy, with beef cattle the principal livestock and soy beans, hay and corn the major cash crops.

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 2.6% at June 30, 2004, which is higher than the 3.50% at June 30, 2003. The local unemployment rate compares favorably to the state and national rate of 3.8% and 5.8% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed has increased from 16,171 in 1999 to 18,304 in 2004. In summary, local business indicators are continuing to indicate a good local economy.

## **MAJOR INITIATIVES**

**For fiscal year 2004:** Following the goals and objectives established by the County of Culpeper Board of Supervisors, and with the assistance and guidance of the County's Administrator, County staff and agencies implemented and continued a number of specific "**programs**" designed to provide County residents with cost efficient government while enhancing their home and employment environment.

Major initiatives begun, continued, or completed during this fiscal year are:

- Geographic Information System (GIS) continued implementation for county residents' use.
- County airport Improvements.
- Public safety communications.
- Culpeper Community Recreation Complex
- Increase in teacher and administrative salaries above SOQ
- Energy Program for School System
- New School Bus Lease
- New classroom space for Culpeper High School
- Architectural development for new high school
- Budget for down payment on new high school

### **Geographic Information System (GIS)**

The County's Department of Planning and Zoning continued implementation of the County's GIS system. Residents are able to interrogate the system for all property related information such as current tax assessment values, current zoning, flood plain information, building locations, topography, aerial photography, etc. The system is available though the Internet, or can be used free of charge at the County's offices. The system is continually upgraded and expanded. Improvements continue in fiscal year 2004.

## **Airport Improvements**

During fiscal year 2004 the County of Culpeper Board of Supervisors completed major enhancements to the Culpeper Regional Airport. The project included an extension of the runway and taxiway to 5,000 feet. A taxiway extension, a new corporate hangar, and 15 new T-hangars were completed in fiscal year 2002. The construction is required due to a significant increase in air traffic utilizing this centrally located airport. Construction of the overall plan is well under way. Fiscal year 2001 included obstruction removal and taxiway construction, which was carried into fiscal year 2002. Runway extension design was completed in fiscal year 2002, as was apron construction. Runway extension was substantially completed in fiscal year 2004.

Fiscal Year 2005 will begin the construction process of the mid-field apron as well as a parking area and hangar site prep work. This work will continue into fiscal year 2006.

## **Public Safety Communications**

Planning for a major upgrade to the County's Public Safety Radio System was completed in fiscal year 2000. The new system will link all operations of County government and law enforcement, fire, rescue, and EMS Services, with the County's E911 public safety communications center. The project was expected to take 2 years to complete and will be "state of the art" in communications technology. With the towers construction completed, the purchase of the Radio System will begin concurrently with the acquisition of a new Emergency Operations Center. Construction of the new EOC began in 2004, with installation of the radio system to be completed during fiscal year 2005.

## **Culpeper Community Recreation Complex**

In 2003, the County of Culpeper hired a Civil Engineering firm to design and prepare bid documents for a recreation complex that includes seven baseball fields, three football fields, six soccer fields, and recreational walking trails. The complex will address the need for playing fields for intramural sports in the County. Construction began in 2004 with the goal of opening the fields for public use in fiscal year 2005.

## **Increase in Teacher and Administrative Salaries above SOQ**

The Board of Supervisors, in an effort to maintain and attract qualified teachers in the Culpeper County School System, provided funding during FY04 for salaries above the SOQ requirement. Further, the School System requested and the Board of Supervisors funded teaching positions over the SOQ requirement in an effort to keep the student to teacher ratios low.

## **Energy Program for School System**

The Board of Supervisors also recognized in fiscal year 2004 the need for continued upkeep and maintenance at the High School. Therefore they appropriated over \$1,000,000 towards that goal. The School System began in fiscal year 2004 and continues into fiscal year 2005 an energy program for installation of new boilers and new lighting at the high school, which will be energy efficient, and a cost savings to the county.

### **New School Bus Lease**

During fiscal year 2004, the School System requested a plan for both bus replacement and new bus additions. The Board of Supervisors recognized the need for additional buses due to the increase in students in the county as well as a need for safety in replacing older buses. Therefore the funding was approved in the fiscal year 2004 budget for debt service for this plan. The master lease for a five-year draw down was in excess of \$2,000,000.

### **New Classroom Space for Culpeper County High School**

The Board of Supervisors, recognizing the space needs of the School System began discussions with the School Board during fiscal year 2004. The School System brought to the Board of Supervisors a plan for a new high school, new elementary school and renovations of existing schools. In an effort to provide space needs, timely develop a long-term space needs plan, and considering the affects on the taxpayers of Culpeper County, the Board of Supervisors decided to fund construction of a "classroom building" which will contain 22 classrooms and a culinary kitchen on the High School campus. Construction is expected to be completed by August 2005 for the start of the fiscal year 2006 classes.

### **Architectural Development for New High School**

As mentioned in the above paragraph, the Board of Supervisors recognizes the need for space in the School System. Therefore they began funding in fiscal year 2005 for the architectural design of a new 1500 student high school. Construction of the new high school is anticipated to be completed in fiscal year 2008.

### **Budget for Down Payment of New High School**

In an effort to reduce the impact to the taxpayers of the county for construction of a new high school, the Board of Supervisors began during fiscal year 2004 budgeting funds that would be reserved to help offset the debt costs when funding was borrowed for the construction of the new high school. This savings account collected \$500,000 in fiscal year 2004 and for fiscal year 2005 the Board approved \$1,000,000 in the adoption of the budget.

**Prospects for the Future.** For the fiscal year 2004-2005, the Board of Supervisors has approved a General Fund Operating Budget of \$49,806,651. During fiscal year 2002-2003 the county was engaged in a required general reassessment. From the increase in the market value of property within the county, the general reassessment produced an equalized rate of \$.69. The fiscal year 2003-2004 plan increases the real estate tax rate of \$0.69 per \$100 of assessed value to \$0.81, an increase of 12 cents.

In preparing the fiscal year 2005 budget, because of the general reassessment, the County via the Commissioner of the Revenue's Office vigorously advertised the tax relief for the elderly and disabled program and changed the ordinance for those eligible under this program. Further the formula for calculating the assessed value of land in the land use program changed. Thus, non-taxable assessments increased 99%. Therefore the assessed values for both real estate and personal property remained relatively stable in preparation of the fiscal year 2005 budget and as a result the Board of Supervisors increased the real estate rate from \$0.81 to \$0.89.

**Risk Management.** The County of Culpeper has a risk management program which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the county has obtained third party coverage for all liability risk.

**Cash Management.** Cash temporarily idle during the year was invested in time deposits and various authorized money market instruments. The amount of interest received was \$223,998. This is a decrease from interest earned on temporary investments in fiscal year 2002-03 when the interest on investments totaled \$423,618.

## **OTHER INFORMATION**

**Management's Discussion and Analysis.** Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Culpeper's MD&A can be found immediately following the report of the independent auditors.

**Independent Audit.** The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

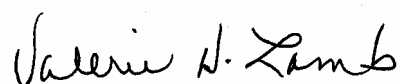
**Certificate of Achievement.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to County of Culpeper, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

**Acknowledgments.** The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Finance. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

Respectfully submitted,

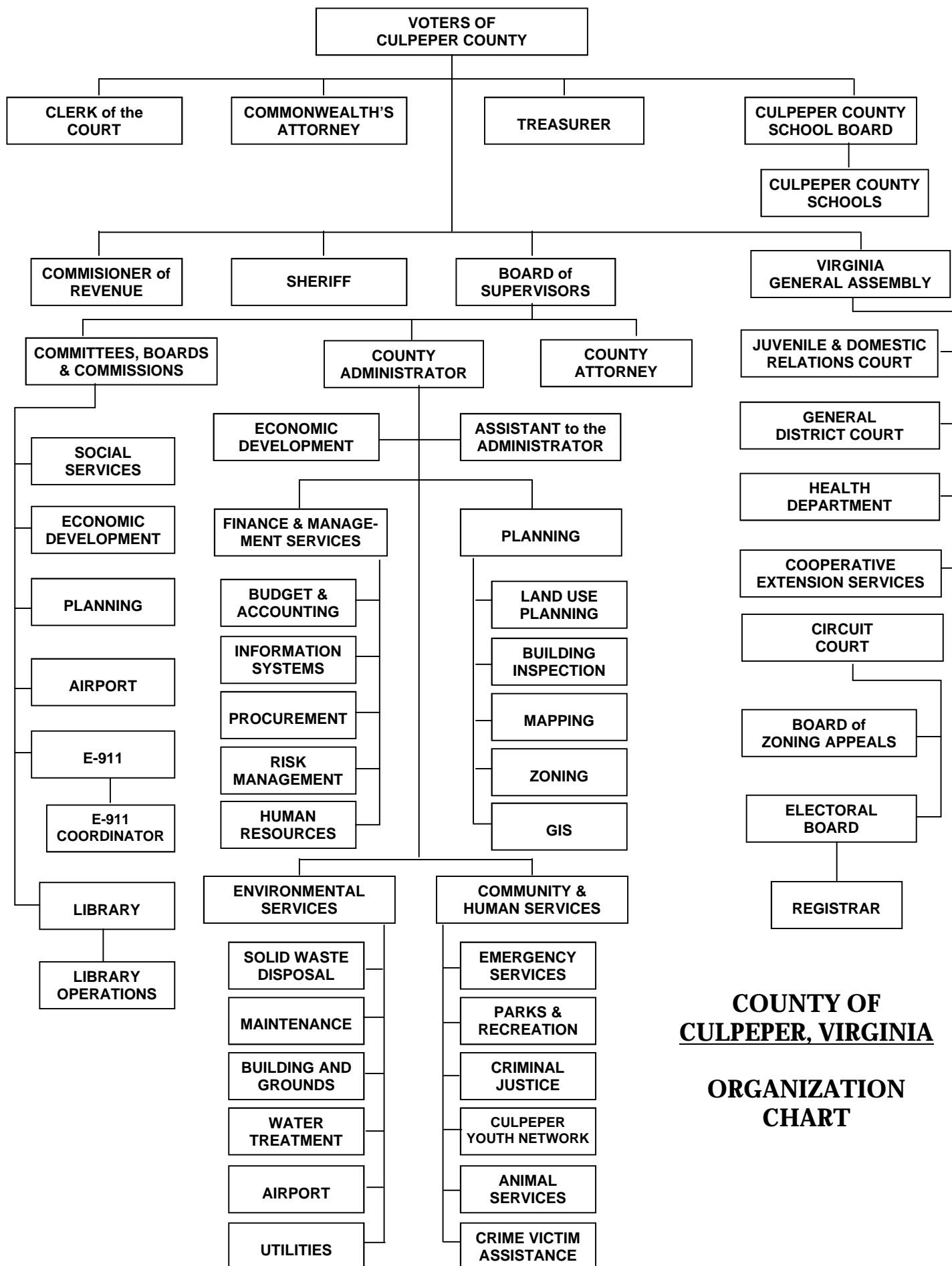


Frank T. Bossio  
County Administrator



Valerie Lamb  
Director of Finance





**COUNTY OF  
CULPEPER, VIRGINIA**

**ORGANIZATION  
CHART**

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**COUNTY OF CULPEPER, VIRGINIA**  
**Directory of Officials**  
**June 30, 2004**

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**PRIMARY GOVERNMENT OFFICIALS**

**BOARD OF SUPERVISORS**

John F. Coates, Chairman  
Steven L. Walker, Vice-Chairman  
James C. Lee  
Bradley C. Rosenberger  
Sue D. Hansohn  
Steven E. Nixon  
William C. Chase

Salem District  
East Fairfax District  
Cedar Mountain District  
Jefferson District  
Catalpa District  
West Fairfax District  
Stevensburg District

**CONSTITUTIONAL OFFICERS**

Terry Yowell  
W. Stephen Southard  
Gary Close  
H. Lee Hart  
Patricia Payne

Commissioner of Revenue  
Treasurer  
Commonwealth's Attorney  
Sheriff  
Circuit Court Clerk

**ADMINISTRATIVE OFFICERS**

Frank T. Bossio  
John D. Maddox  
Valerie H. Lamb  
Calvin Coleman

County Administrator  
County Attorney  
Director of Finance  
Director of Social Services

**SCHOOL BOARD COMPONENT UNIT OFFICIALS**

**School Board**

Robert L. Jenkins, III, Chairman.....	Catalpa District
Elizabeth Hutchens, Vice Chairman.....	Cedar Mountain District
Jennifer McCauley.....	Salem District
Claudia L. Vento.....	West Fairfax District
Leanne Jenkins.....	Jefferson District
Barton Hitchcock.....	Stevensburg District

**Administrative Officers**

Dr. David A. Cox.....	Superintendent
Larry Carter.....	Deputy Superintendent
Mary Grist.....	Director of Personnel
Jeffrey R. Shomo.....	Executive Director of Business

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Culpeper,  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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## FINANCIAL SECTION





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

**The Honorable Members of  
The Board of Supervisors  
County of Culpeper, Virginia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2004, on our consideration of the County of Culpeper, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Culpeper, Virginia, basic financial statements. The introductory section, combining fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the County of Culpeper, Virginia. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 8, 2004

October 8, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**To the Honorable Members of the Board of Supervisors  
To the Citizens of Culpeper County  
County of Culpeper, Virginia**

As management of the County of Culpeper, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### **Financial Highlights**

#### **Government-wide Financial Statements**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$44,342,998 (net assets). Of this amount, \$19,925,477 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,192,460, an increase of \$4,412,845 in comparison with the prior year. Approximately eighty percent of this amount, \$22,634,193, is available for spending at Culpeper's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$22,634,193, or 46 percent of total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, police and volunteer fire protection, sanitation, social services, education, cultural events, and recreation. The business-type activities of the County include Water and Sewer, Landfill, and Airport operations.

The Government-wide financial statements include not only the County of Culpeper, Virginia itself (known as the primary government), but also a legally separate school district for which the County of Culpeper, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Culpeper, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spend-able resources, as well as on balance of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, both of which are considered to be major funds.

The County adopts an annual appropriated budget for its Governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer, landfill, and airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, landfill, and airport activities all of which are considered to be major funds of the County.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. Culpeper County assets exceeded liabilities by \$44,342,998 at year end.

The largest portion of the County's net assets (43 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **Schedule of Assets, Liabilities and Net Assets For the Years Ended June 30, 2004 and 2003**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Current and other assets	\$ 32,719,230	\$ 27,796,161	\$ 718,385	\$ 867,581	\$ 33,437,615	\$ 28,663,742
Capital assets	<u>37,142,823</u>	<u>38,484,044</u>	<u>14,168,993</u>	<u>11,502,453</u>	<u>51,311,816</u>	<u>49,986,497</u>
Total assets	<u>\$ 69,862,053</u>	<u>\$ 66,280,205</u>	<u>\$ 14,887,378</u>	<u>\$ 12,370,034</u>	<u>\$ 84,749,431</u>	<u>\$ 78,650,239</u>
Long-term liabilities outstanding	\$ 30,805,461	\$ 30,730,056	\$ 2,759,408	\$ 2,915,089	\$ 33,564,869	\$ 33,645,145
Current liabilities	<u>6,566,118</u>	<u>6,110,461</u>	<u>275,446</u>	<u>407,543</u>	<u>6,841,564</u>	<u>6,518,004</u>
Total liabilities	<u>\$ 37,371,579</u>	<u>\$ 36,840,517</u>	<u>\$ 3,034,854</u>	<u>\$ 3,322,632</u>	<u>\$ 40,406,433</u>	<u>\$ 40,163,149</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 6,935,344	\$ 6,486,359	\$ 11,934,526	\$ 9,112,272	\$ 18,869,870	\$ 15,598,631
Restricted	5,558,267	4,419,784	-	-	5,558,267	4,419,784
Unrestricted	<u>19,996,863</u>	<u>18,533,545</u>	<u>(82,002)</u>	<u>(64,870)</u>	<u>19,914,861</u>	<u>18,468,675</u>
Total net assets	<u>\$ 32,490,474</u>	<u>\$ 29,439,688</u>	<u>\$ 11,852,524</u>	<u>\$ 9,047,402</u>	<u>\$ 44,342,998</u>	<u>\$ 38,487,090</u>

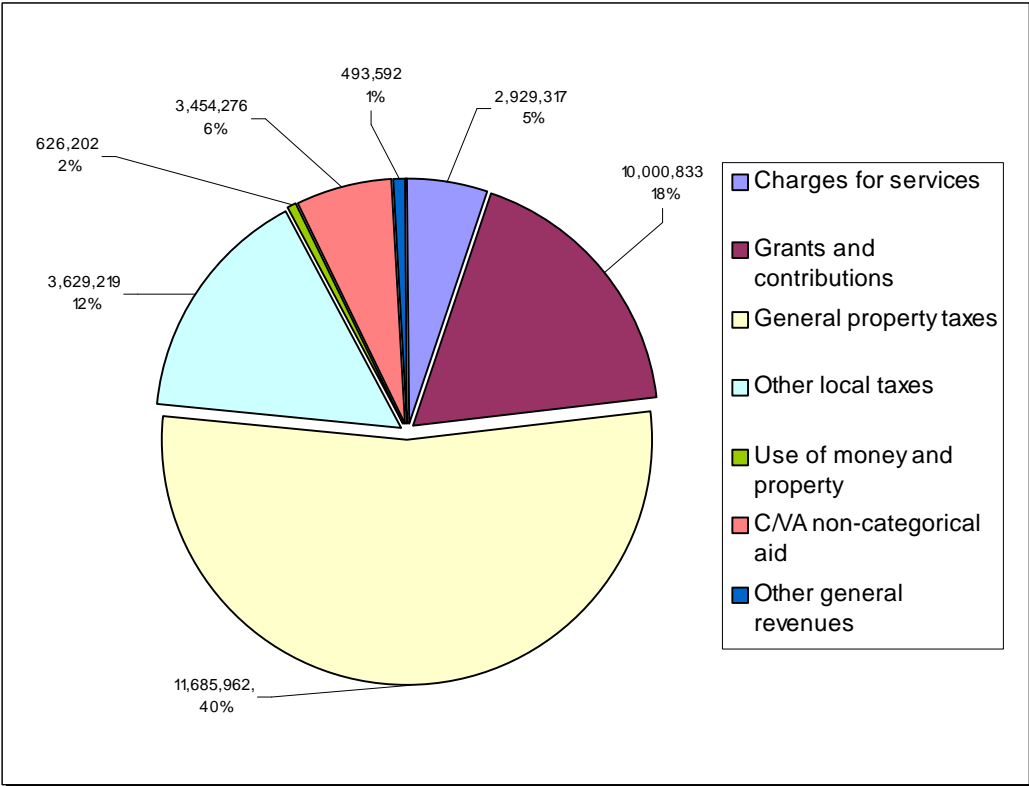
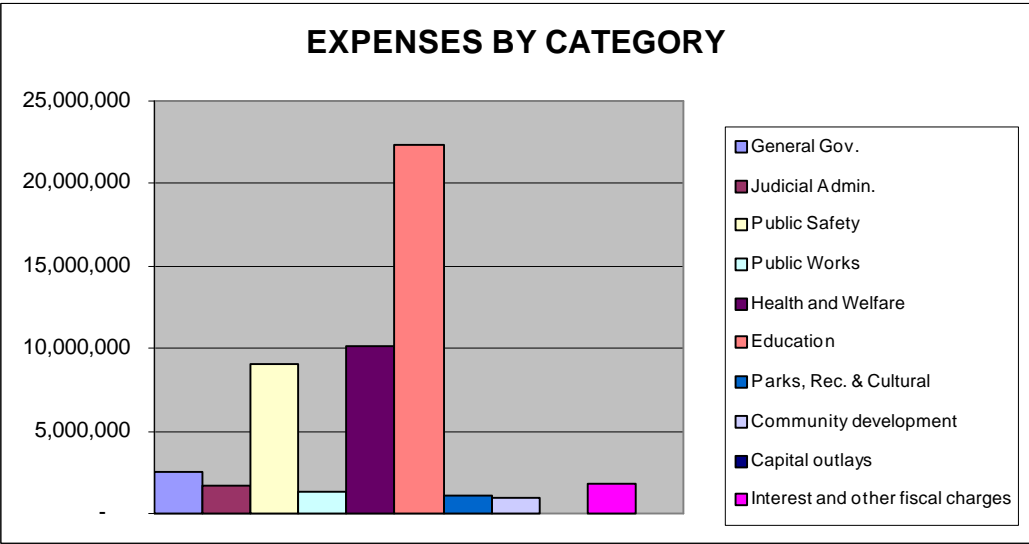
An additional portion of the County's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$19,914,861) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Governmental Activities - Governmental activities increased the County's net assets by \$3,318,906, thereby accounting for 47 percent of the total growth in the net assets of the County. Key elements of this increase are as follows:

<b>Changes in Net Assets</b> <b>For the Years Ended June 30, 2004 and 2003</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Revenues:						
Program revenues:						
Charges for services	\$ 2,929,317	\$ 2,062,706	\$ 2,263,087	\$ 1,774,726	\$ 5,192,404	\$ 3,837,432
Operating grants and contributions	9,995,983	9,403,203	-	-	9,995,983	9,403,203
Capital grants and contributions	4,850	96,202	3,809,913	980,844	3,814,763	1,077,046
General revenues:						
General property taxes	29,451,312	24,428,142	-	-	29,451,312	24,428,142
Other local taxes	8,819,164	7,192,003	-	-	8,819,164	7,192,003
Use of money and property	342,699	417,562	8,565	23,769	351,264	441,331
C/VA non-categorical aid	3,454,276	3,385,516	-	-	3,454,276	3,385,516
Other general revenues & transfers in	493,592	347,492	1,229,716	210,667	1,723,308	558,159
Total revenues	\$ 55,491,193	\$ 47,332,826	\$ 7,311,281	\$ 2,990,006	\$ 62,802,475	\$ 50,322,832
Expenses:						
General government administration	\$ 2,499,392	\$ 2,468,960	\$ -	\$ -	\$ 2,499,392	\$ 2,468,960
Judicial administration	1,740,818	1,629,071	-	-	1,740,818	1,629,071
Public safety	9,103,918	7,633,263	-	-	9,103,918	7,633,263
Public works	1,283,304	864,885	-	-	1,283,304	864,885
Health and welfare	10,142,768	8,278,682	-	-	10,142,768	8,278,682
Education	22,350,250	20,107,328	-	-	22,350,250	20,107,328
Parks, recreation, and cultural	1,095,318	1,069,204	-	-	1,095,318	1,069,204
Community development	956,662	895,279	-	-	956,662	895,279
Capital outlays	-	485,137	-	-	-	485,137
Miscellaneous and transfers out	1,229,716	210,667	-	-	1,229,716	210,667
Interest and other fiscal charges	1,770,141	1,992,258	-	-	1,770,141	1,992,258
Business-type activities	-	-	3,633,154	2,858,072	3,633,154	2,858,072
Total expenses	\$ 52,172,287	\$ 45,634,734	\$ 3,633,154	\$ 2,858,072	\$ 55,805,441	\$ 48,492,806
Change in net assets	\$ 3,318,906	\$ 1,698,092	\$ 3,678,127	\$ 131,934	\$ 6,997,034	\$ 1,830,026
Net assets, July 1, 2003, as restated	29,171,568	27,741,596	8,174,397	8,915,468	37,345,965	36,657,064
Net assets, June 30, 2004	\$ 32,490,474	\$ 29,439,688	\$ 11,852,524	\$ 9,047,402	\$ 44,342,998	\$ 38,487,090

- Property taxes increased by \$5,023,170 (21 percent) during the year. Most of this increase is the product of general growth in assessments.
- Operating grants for governmental activities increased by \$592,780, mostly as a result of new grants awarded to support two of the County’s functions: public safety and social services.



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## **Financial Analysis of the County's Funds**

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$28,192,460, an increase of \$4,412,845 in comparison with the prior year. Approximately eighty percent of this total constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is dedicated for construction projects and subsequent expenditures to indicate that is not available for new spending because it has already been committed.

Proprietary funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were \$3,063,553 and can be briefly summarized as follows:

- \$1,758,308 in health and welfare
- \$543,823 in public safety
- \$206,860 in public works
- \$554,562 in other

Of this increase, \$1,639,110 was to be funded from intergovernmental revenues and \$53,058 from charges for services. The remaining \$1,371,385 was to be budgeted from available fund balance.

### **Capital Asset and Debt Administration**

Capital assets - The County's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$51,311,816 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$34,849,730. Of this amount \$32,615,263 represents debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. Revenue bonds).

Legislation enacted during fiscal year ended June 20, 2002 requires that the Primary Government has assumed debt historically reported by the School Board. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in Note 7 of this report.



## **Economic Factors and Next Year's Budgets and Rates**

Based on available economic data, trends for the local economy have continued to show strength. The local unemployment rate was 2.6% at June 30, 2004, which is lower than the 3.5% at June 30, 2003. The local unemployment rate compares favorably to the state and national rate of 3.8% and 5.8% respectively. The County's favorable employment conditions are supported by the continued growth of jobs over the last six years. According to the Virginia Employment Commission, the number of persons employed has increased from 16,171 in 1999 to 18,308 in 2004. In summary, local business indicators are continuing to indicate a good local economy.

All of these factors were considered in preparing the County's budget for the 2004 fiscal year.

Real estate tax assessments increased \$928,089,140 however personal property tax assessments decreased 24,814,896 in the calendar year 2004 in comparison to the 2003 calendar year. During fiscal year 2002-2003 the county was engaged in a required general reassessment. From the increase in the market value of property within the county, the general reassessment produced an equalized rate of \$.69. The fiscal year 2003-2004 plan increases the real estate tax rate of \$0.69 per \$100 of assessed value to \$0.81, an increase of 12 cents.

In preparing the fiscal year 2005 budget, because of the general reassessment, the County via the Commissioner of Revenue's Office vigorously advertised the tax relief for the elderly and disabled program and changed the ordinance for those eligible under this program. Further the formula for calculating the assessed value of land in the land use program changed. Thus, non-taxable assessments increased 99%. Therefore the assessed values for both real estate and personal property remained relatively stable in preparation of the fiscal year 2005 budget and as a result the Board of Supervisors increased the real estate rate from \$0.81 to \$0.89.

## **Requests for Information**

This financial report is designed to provide a general overview of the County of Culpeper, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 302 N. Main Street, Culpeper, Virginia 22701.

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## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	School Board
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 28,005,047	\$ 679,463	\$ 28,684,510	\$ 1,714,525
Receivables (net of allowance for uncollectibles):				
Property taxes	1,026,665	-	1,026,665	-
Accounts receivable	381,172	214,043	595,215	2,677
Inventory	-	26,296	26,296	-
Due from primary government	-	-	-	2,776,815
Internal balances	918,693	(918,693)	-	-
Due from other governments	2,387,653	717,276	3,104,929	2,340,145
Total Current Assets	\$ 32,719,230	\$ 718,385	\$ 33,437,615	\$ 6,834,162
Noncurrent Assets				
Capital assets (net of depreciation):				
Land	\$ 2,052,556	\$ 1,258,667	\$ 3,311,223	\$ 200,151
Buildings and equipment	33,835,448	7,746,142	41,581,590	19,840,702
Construction in progress	1,254,819	5,164,184	6,419,003	244,950
Total Capital Assets	\$ 37,142,823	\$ 14,168,993	\$ 51,311,816	\$ 20,285,803
Total Assets	\$ 69,862,053	\$ 14,887,378	\$ 84,749,431	\$ 27,119,965
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and other current liabilities	\$ 872,740	\$ 118,686	\$ 991,426	\$ 5,275,634
Due to component unit	2,776,815	-	2,776,815	-
Accrued interest payable	636,286	-	636,286	-
Current portion of long-term obligations	2,280,277	156,760	2,437,037	194,462
Total Current Liabilities	\$ 6,566,118	\$ 275,446	\$ 6,841,564	\$ 5,470,096
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	30,805,461	2,759,408	33,564,869	981,077
Total Liabilities	\$ 37,371,579	\$ 3,034,854	\$ 40,406,433	\$ 6,451,173
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 6,935,344	\$ 11,934,526	\$ 18,869,870	\$ 19,675,899
Restricted for:				
Construction	5,173,991	-	5,173,991	849,047
E-911	384,276	-	384,276	-
Unrestricted assets	19,996,863	(82,002)	19,914,861	143,846
Total Net Assets	\$ 32,490,474	\$ 11,852,524	\$ 44,342,998	\$ 20,668,792
Total Liabilities and Net Assets	\$ 69,862,053	\$ 14,887,378	\$ 84,749,431	\$ 27,119,965

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF CULPEPER, VIRGINIA

Statement of Activities  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,499,392	\$ 5,314	\$ 241,638	\$ -
Judicial administration	1,740,818	435,977	887,111	-
Public safety	9,103,918	1,328,513	2,795,970	-
Public works	1,283,304	18,083	6,593	-
Health and welfare	10,142,768	880,732	5,927,055	-
Education	22,350,250	-	-	-
Parks, recreation, and cultural	1,095,318	111,668	132,616	-
Community development	956,662	149,030	5,000	4,850
Interest on long-term debt	1,770,141	-	-	-
Total government activities	\$ 50,942,571	\$ 2,929,317	\$ 9,995,983	\$ 4,850
Business-type activities:				
Landfill	\$ 2,646,458	\$ 1,672,544	\$ -	\$ -
Water and sewer	288,077	165,484	-	-
Airport	698,619	425,059	-	3,809,913
Total business-type activities	\$ 3,633,154	\$ 2,263,087	\$ -	\$ 3,809,913
Total primary government	\$ 54,575,725	\$ 5,192,404	\$ 9,995,983	\$ 3,814,763
COMPONENT UNIT:				
School Board	\$ 47,899,722	\$ 1,372,909	\$ 27,119,777	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
E-911 taxes				
Taxes on recordation and wills				
Motor vehicle licenses				
Other local taxes				
County contribution to School Board				
Unrestricted revenues from use of money and property				
Miscellaneous				
Commonwealth of Virginia - noncategorical aid				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning, as restated				
Net assets - ending				

The accompanying notes to financial statements are an integral part of this statement.



Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	School Board
\$ (2,252,440)	\$ -	\$ (2,252,440)	\$ -
(417,730)	-	(417,730)	-
(4,979,435)	-	(4,979,435)	-
(1,258,628)	-	(1,258,628)	-
(3,334,981)	-	(3,334,981)	-
(22,350,250)	-	(22,350,250)	-
(851,034)	-	(851,034)	-
(797,782)	-	(797,782)	-
(1,770,141)	-	(1,770,141)	-
<u>\$ (38,012,421)</u>	<u>\$ -</u>	<u>\$ (38,012,421)</u>	<u>\$ -</u>
\$ -	\$ (973,914)	\$ (973,914)	\$ -
-	(122,593)	(122,593)	-
-	3,536,353	3,536,353	-
<u>\$ -</u>	<u>\$ 2,439,846</u>	<u>\$ 2,439,846</u>	<u>\$ -</u>
<u>\$ (38,012,421)</u>	<u>\$ 2,439,846</u>	<u>\$ (35,572,575)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,407,036)</u>
\$ 29,451,312	\$ -	\$ 29,451,312	\$ -
4,671,523	-	4,671,523	-
1,780,313	-	1,780,313	-
818,349	-	818,349	-
729,478	-	729,478	-
692,057	-	692,057	-
127,444	-	127,444	-
-	-	-	20,363,769
342,699	8,565	351,264	57,617
493,592	-	493,592	473,073
3,454,276	-	3,454,276	-
(1,229,716)	1,229,716	-	-
<u>\$ 41,331,327</u>	<u>\$ 1,238,281</u>	<u>\$ 42,569,608</u>	<u>\$ 20,894,459</u>
<u>\$ 3,318,906</u>	<u>\$ 3,678,127</u>	<u>\$ 6,997,033</u>	<u>\$ 1,487,423</u>
<u>29,171,568</u>	<u>8,174,397</u>	<u>37,345,965</u>	<u>19,181,369</u>
<u>\$ 32,490,474</u>	<u>\$ 11,852,524</u>	<u>\$ 44,342,998</u>	<u>\$ 20,668,792</u>

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## **Fund Financial Statements**

Balance Sheet - Governmental Funds  
At June 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,196,730	\$ 2,808,317	\$ 28,005,047
Receivables (net of allowances for uncollectibles):			
Taxes, including penalties	1,026,665	-	1,026,665
Accounts	381,172	-	381,172
Due from other funds	918,693	-	918,693
Due from other governmental units	<u>2,387,653</u>	<u>-</u>	<u>2,387,653</u>
Total assets	<u>\$ 29,910,913</u>	<u>\$ 2,808,317</u>	<u>\$ 32,719,230</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 231,614	\$ 134,326	\$ 365,940
Accrued liabilities	506,800	-	506,800
Due to component unit	2,776,815	-	2,776,815
Deferred revenue	<u>877,215</u>	<u>-</u>	<u>877,215</u>
Total liabilities	<u>\$ 4,392,444</u>	<u>\$ 134,326</u>	<u>\$ 4,526,770</u>
<b>FUND BALANCES</b>			
Unreserved:			
Designated for subsequent expenditures	\$ 384,276	\$ -	\$ 384,276
Designated for capital projects	2,500,000	2,673,991	5,173,991
Unreserved	<u>22,634,193</u>	<u>-</u>	<u>22,634,193</u>
Total fund balances	<u>\$ 25,518,469</u>	<u>\$ 2,673,991</u>	<u>\$ 28,192,460</u>
Total liabilities and fund balances	<u>\$ 29,910,913</u>	<u>\$ 2,808,317</u>	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or expenditures in governmental funds. However, the statement of net assets includes those capital constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

37,142,823

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(636,286)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in the fund balance.

877,215

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net assets.

(33,085,738)

Net assets of General Government Activities

\$ 32,490,474

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --  
 Governmental Funds  
 Year Ended June 30, 2004

	<b>Governmental Fund Types</b>		<b>Total Governmental Funds</b>
	<b>General</b>	<b>Capital Projects</b>	
Revenues:			
General property taxes	\$ 29,211,381	\$ -	\$ 29,211,381
Other local taxes	8,819,164	-	8,819,164
Permits, privilege fees and regulatory licenses	1,365,250	-	1,365,250
Fines and forfeitures	96,481	-	96,481
Revenue from use of money and property	327,245	15,454	342,699
Charges for services	1,467,586	-	1,467,586
Miscellaneous	493,592	-	493,592
Recovered costs	151,654	-	151,654
Intergovernmental:			
Commonwealth	9,135,443	-	9,135,443
Federal	4,314,816	4,850	4,319,666
Total revenues	\$ 55,382,612	\$ 20,304	\$ 55,402,916
Expenditures:			
Current:			
General government administration	\$ 2,467,487	\$ -	\$ 2,467,487
Judicial administration	1,715,860	-	1,715,860
Public safety	9,078,795	-	9,078,795
Public works	795,456	-	795,456
Health and welfare	10,051,059	-	10,051,059
Education	18,897,318	-	18,897,318
Parks, recreation, and cultural	1,027,485	-	1,027,485
Community development	923,585	-	923,585
Capital projects	-	3,011,069	3,011,069
Debt service:			
Principal retirement	2,065,422	-	2,065,422
Interest and other fiscal charges	1,695,873	76,044	1,771,917
Total expenditures	\$ 48,718,340	\$ 3,087,113	\$ 51,805,453
Excess (deficiency) of revenues over expenditures	\$ 6,664,272	\$ (3,066,809)	\$ 3,597,463
Other financing sources (uses):			
Issuance of refunding bonds	\$ -	\$ 4,613,000	\$ 4,613,000
Issuance of general obligation bonds	-	2,000,000	2,000,000
Payment to refunded bond escrow agent	-	(4,567,902)	(4,567,902)
Transfers in	-	2,065,500	2,065,500
Transfers out	(3,295,216)	-	(3,295,216)
Total other financing sources (uses)	\$ (3,295,216)	\$ 4,110,598	\$ 815,382
Changes in fund balances	\$ 3,369,056	\$ 1,043,789	\$ 4,412,845
Fund balances at beginning of year, as restated	22,149,413	1,630,202	23,779,615
Fund balances at end of year	\$ 25,518,469	\$ 2,673,991	\$ 28,192,460

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
For the Year Ended June 30, 2004

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		\$ 4,412,845
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense as follows:		
Capital assets	\$ 2,021,141	
Depreciation expense	<u>(1,472,704)</u>	548,437
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,703,675)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in deferred revenue - taxes.		239,931
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:		
Principal retired on general obligation bonds	\$ 5,995,422	
Issuance of general obligation bonds	<u>(5,975,098)</u>	20,324
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued leave	\$ (221,336)	
Change in interest payable	<u>22,380</u>	<u>(198,956)</u>
Change in net assets of governmental activities		<u>\$ 3,318,906</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2004

	<u>Landfill Fund</u>	<u>Water &amp; Sewer Fund</u>	<u>Airport Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 679,415	\$ 48	\$ -	\$ 679,463
Receivables (net of allowance for uncollectibles):				
Accounts receivable	166,845	47,198	-	214,043
Due from other governments	-	-	717,276	717,276
Inventory	-	-	26,296	26,296
Total Current Assets	<u>\$ 846,260</u>	<u>\$ 47,246</u>	<u>\$ 743,572</u>	<u>\$ 1,637,078</u>
Noncurrent Assets				
Capital assets (net of depreciation):				
Land	\$ 401,073	\$ 235,200	\$ 622,394	\$ 1,258,667
Construction in progress	-	-	5,164,184	5,164,184
Buildings, improvements and equipment	11,414	1,895,939	5,838,789	7,746,142
Total Capital Assets	<u>\$ 412,487</u>	<u>\$ 2,131,139</u>	<u>\$ 11,625,367</u>	<u>\$ 14,168,993</u>
Total Assets	<u>\$ 1,258,747</u>	<u>\$ 2,178,385</u>	<u>\$ 12,368,939</u>	<u>\$ 15,806,071</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 21,390	\$ 5,301	\$ 91,995	\$ 118,686
Due to other funds	-	-	918,693	918,693
Current portion of long-term obligations	1,423	214	155,123	156,760
Total Current Liabilities	<u>\$ 22,813</u>	<u>\$ 5,515</u>	<u>\$ 1,165,811</u>	<u>\$ 1,194,139</u>
Noncurrent Liabilities				
Noncurrent portion of long-term obligations	<u>666,338</u>	<u>1,930</u>	<u>2,091,140</u>	<u>2,759,408</u>
Total Liabilities	<u>\$ 689,151</u>	<u>\$ 7,445</u>	<u>\$ 3,256,951</u>	<u>\$ 3,953,547</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 412,487	\$ 2,131,139	\$ 9,390,900	\$ 11,934,526
Unrestricted assets	<u>157,109</u>	<u>39,801</u>	<u>(278,912)</u>	<u>(82,002)</u>
Total Net Assets	<u>\$ 569,596</u>	<u>\$ 2,170,940</u>	<u>\$ 9,111,988</u>	<u>\$ 11,852,524</u>
Total Liabilities and Net Assets	<u>\$ 1,258,747</u>	<u>\$ 2,178,385</u>	<u>\$ 12,368,939</u>	<u>\$ 15,806,071</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Assets --  
 Proprietary Funds  
 Year Ended June 30, 2004

	<b>Landfill Fund</b>	<b>Water &amp; Sewer Fund</b>	<b>Airport Fund</b>	<b>Totals</b>
Operating revenues:				
Charges for services	\$ 1,672,544	\$ 165,484	\$ 425,059	\$ 2,263,087
Total operating revenues	\$ 1,672,544	\$ 165,484	\$ 425,059	\$ 2,263,087
Operating expenses:				
Personal services	\$ 216,729	\$ 52,999	\$ 126,783	\$ 396,511
Fringe benefits	45,589	14,824	26,662	87,075
Contractual services	2,137,488	25,197	49,877	2,212,562
Other charges	242,843	133,503	155,102	531,448
Depreciation	3,809	61,554	219,101	284,464
Total operating expenses	\$ 2,646,458	\$ 288,077	\$ 577,525	\$ 3,512,060
Operating income (loss)	\$ (973,914)	\$ (122,593)	\$ (152,466)	\$ (1,248,973)
Nonoperating revenues (expenses):				
Interest income	\$ 4,830	\$ 48	\$ 3,687	\$ 8,565
Interest expense	-	-	(121,094)	(121,094)
Total nonoperating revenues	\$ 4,830	\$ 48	\$ (117,407)	\$ (112,529)
Income (loss) before contributions and transfers	\$ (969,084)	\$ (122,545)	\$ (269,873)	\$ (1,361,502)
Capital contributions and construction grants	-	-	3,809,913	3,809,913
Transfers in	825,764	152,714	251,238	1,229,716
Change in net assets	\$ (143,320)	\$ 30,169	\$ 3,791,278	\$ 3,678,127
Net assets at beginning of year, as restated	712,916	2,140,771	5,320,710	8,174,397
Net assets at end of year	\$ 569,596	\$ 2,170,940	\$ 9,111,988	\$ 11,852,524

The accompanying notes to financial statements are an integral part of this statement.



Statement of Cash Flows --  
 Proprietary Funds  
 Year Ended June 30, 2004

	Landfill Fund	Water & Sewer Fund	Airport Fund	Totals
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,618,170	\$ 119,333	\$ (295,632)	\$ 1,441,871
Payments to suppliers	(2,411,484)	(175,736)	(387,919)	(2,975,139)
Payments to employees	(217,215)	(53,558)	(124,658)	(395,431)
Net cash provided by (used in) operating activities	\$ (1,010,529)	\$ (109,961)	\$ (808,209)	\$ (1,928,699)
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	\$ (12,919)	\$ (43,012)	\$ (3,768,079)	\$ (3,824,010)
State and federal grants	-	-	3,809,913	3,809,913
Interest expense	-	-	(121,094)	(121,094)
Transfers in	-	152,714	251,238	403,952
Retirement of indebtedness	-	-	(146,042)	(146,042)
Net cash provided by (used in) capital and related financing activities	\$ (12,919)	\$ 109,702	\$ 25,936	\$ 122,719
<b>Cash flows from noncapital financing activities:</b>				
Transfers in	\$ 825,764	\$ -	\$ -	\$ 825,764
Increase in due to other funds	-	-	918,693	918,693
Net cash provided by (used in) noncapital and related financing activities	\$ 825,764	\$ -	\$ 918,693	\$ 1,744,457
<b>Cash flows from investing activities:</b>				
Interest income	\$ 4,830	\$ 48	\$ 3,687	\$ 8,565
Increase in cash and cash equivalents	\$ (192,854)	\$ (211)	\$ 140,107	\$ (52,958)
Cash and cash equivalents at beginning of year	872,269	259	(140,107)	732,421
Cash and cash equivalents at end of year	\$ 679,415	\$ 48	\$ -	\$ 679,463
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (973,914)	\$ (122,593)	\$ (152,466)	\$ (1,248,973)
Adjustments to reconcile net loss to net cash provided by operations:				
Depreciation	\$ 3,809	\$ 61,554	\$ 219,101	284,464
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(54,374)	(46,151)	(720,691)	(821,216)
(Increase) in inventory	-	-	(1,239)	(1,239)
Increase in accounts payable	14,436	(2,212)	(155,039)	(142,815)
Increase (decrease) in accrued leave	(486)	(559)	2,125	1,080
Total adjustments	\$ (36,615)	\$ 12,632	\$ (655,743)	\$ (679,726)
Net cash provided by (used in) operating activities	\$ (1,010,529)	\$ (109,961)	\$ (808,209)	\$ (1,928,699)

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets --  
Fiduciary Funds  
At June 30, 2004

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		<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$	50,924
Accounts receivable		<u>11,766</u>
Total assets	\$	<u><u>62,690</u></u>
LIABILITIES		
Amounts held for others	\$	17,585
Amounts held for inmates		12,121
Amounts held for social service clients		<u>32,984</u>
Total liabilities	\$	<u><u>62,690</u></u>

The accompanying notes to financial statements are an integral part of this statement.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004

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### Note 1—Summary of Significant Accounting Policies:

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The County of Culpeper, Virginia was formed in 1749 and it is governed by an elected seven member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities, cultural events, education, social services.

The financial statements of the County of Culpeper, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

#### Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

#### Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets, in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many government's revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

#### **A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Culpeper, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### B. Individual Component Unit Disclosures

*Blended Component Units* - The County has no blended component units.

*Discretely Presented Component Units* - The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2004.

#### Other Related Organizations

##### Included in the County's Comprehensive Annual Financial Report

None

##### Excluded from the County's Comprehensive Annual Financial Report

The Piedmont Regional Control Board is considered a joint venture. The County School Boards for the localities of Culpeper, Orange, Madison & Rappahannock participate in supporting the Piedmont Regional Control Board for local residents. The Center provides vocational training to secondary and adult students. The Piedmont Regional Control Board is governed by an eight member board of trustees of which two are appointed by each of the participating localities. No one locality contributes more than 50% of the Board's funding.

Complete financial statements for the Center can be obtained from the County Administrative Offices located at 302 N. Main Street, Culpeper, Virginia 22701.

##### Rappahannock-Rapidan Planning District Commission

The Commission was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 17 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

##### Rappahannock-Rapidan Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the county's financial statements. The County appoints two of the 14 board members; however, the County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

##### 1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

##### a. General Fund

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

##### b. Capital Projects Fund

The Capital Projects Fund (Capital Improvements) accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds. The capital projects fund is considered a major fund for government-wide reporting purposes.

##### 2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

##### 3. Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The County reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

Landfill Fund - This fund is used to account for the activities of the County's landfill.

Airport Fund - This fund is used to account for the activities occurring at the County's Airport.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

4. Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

#### D. Budgets and Budgetary Accounting

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however the School Board is authorized to transfer budgeted amount within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several supplemental appropriations were necessary during the year and at year-end.
8. All budget data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

#### E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.



## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee.

#### G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$277,587 at June 30, 2004 is composed solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The County bills and collects its own property taxes.

#### H. Inventory

Inventory is reported at cost.

#### I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2004 was immaterial.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### I. Capital Assets: (Continued)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

#### J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

#### K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### M. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

#### N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### O. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

### Note 2—Deposits and Investments:

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Deposits - All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia (a multiple financial institution collateral pool) or covered by federal depository insurance. Under the act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amounts of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments - Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the state Treasurer's Local Government Investment Pool (LGIP).

The County's investment in the LGIP is the same as the value of the pool shares.

The County's and its component unit—School Board's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or safekeeping agent but not in the County's name.

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 2—Deposits and Investments: (Continued)**

The County's investments in the LGIP are authorized by the Code of Virginia and is managed under the direction of the State Treasurer.

	<b>Category</b>			<b>Reported Amount/ Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
<u>Primary Government:</u>				
Commercial Paper	\$ 1,921,357	\$ -	\$ -	\$ 1,921,357
Corporate bonds	3,754,571	-	-	3,754,571
Total	<u>\$ 5,675,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,675,928</u>
Investment in State Treasurer's Local Government Investment Pool (LGIP)				19,729,512
Virginia State Non-arbitrage Program				2,123,384
Total investments				\$ 27,528,824
Deposits				1,200,960
Petty cash				5,650
Total				<u>\$ 28,735,434</u>
Reconciliation to statement of net assets:				
Total per Exhibit 1				\$ 28,684,510
Total per Exhibit 9				50,924
Total				<u>\$ 28,735,434</u>

The fair value in the external investment pool is the same as the value of the pool shares at June 30, 2004:

	<b>Carrying Value</b>	<b>Reported Amount/ Fair Value</b>
<u>Component Unit-School Board:</u>		
Investment in State Treasurer's Local Virginia State Non-arbitrage Program	\$ 2,962,039	\$ 2,962,039
Total investments	\$ 2,962,039	<u>\$ 2,962,039</u>
Deposits	(1,247,514)	
Total	<u>\$ 1,714,525</u>	

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 3—Due from Other Governments:**

At June 30, 2004 the County and School Board had receivables from other governments as follows:

	<b>Primary Government</b>	<b>Discretely Presented Component Unit School Board</b>
Commonwealth of Virginia:		
Aviation grant	\$ 66,179	\$ -
Criminal justice services	5,989	-
Shared expenses	236,801	-
State sales taxes	-	799,317
Local sales taxes	1,083,613	-
Public assistance	125,151	-
Comprehensive services	246,625	-
Virginia Tobacco Settlement	6,937	-
Auto Rental Tax	1,681	
Federal Government:		
School funds	-	1,540,828
Public assistance	359,709	-
School food	-	-
Aviation grant	651,097	-
Criminal justice grants	313,448	-
Emergency services	5,376	-
DMV	2,323	-
Total	\$ <u>3,104,929</u>	\$ <u>2,340,145</u>

**Note 4—Due To/from Primary Government/Component Units:**

<b>Fund</b>	<b>Due from Primary Government</b>	<b>Due to Component Unit</b>
General	\$ -	\$ 2,776,815
School	<u>2,776,815</u>	<u>-</u>
Total	\$ <u>2,776,815</u>	\$ <u>2,776,815</u>

The purpose of the interfund obligation between the County and School Board is to report the balance of local appropriations upspent at year-end due back to the respective funds.

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 5—Capital Assets:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,041,887	\$ 10,669	\$ -	\$ 2,052,556
Construction in Progress	<u>218,672</u>	<u>1,158,411</u>	<u>122,264</u>	<u>1,254,819</u>
Total capital assets not being depreciated	<u>\$ 2,260,559</u>	<u>\$ 1,169,080</u>	<u>\$ 122,264</u>	<u>\$ 3,307,375</u>
Capital assets, being depreciated:				
Buildings	\$ 9,056,289	202,705	5,625	\$ 9,253,369
Equipment	3,380,976	771,620	-	4,152,596
Jointly owned assets	<u>31,997,685</u>	<u>-</u>	<u>2,047,422</u>	<u>29,950,263</u>
Total capital assets being depreciated	<u>\$ 44,434,950</u>	<u>974,325</u>	<u>2,053,047</u>	<u>\$ 43,356,228</u>
Less accumulated depreciation for:				
Buildings	\$ 6,106,215	964,575	343,748	\$ 6,727,042
Equipment	<u>2,311,838</u>	<u>481,900</u>	<u>-</u>	<u>2,793,738</u>
Total accumulated depreciation	<u>\$ 8,418,053</u>	<u>\$ 1,446,475</u>	<u>\$ 343,748</u>	<u>\$ 9,520,780</u>
Total capital assets being depreciated, net	<u>\$ 36,016,897</u>	<u>\$ (472,150)</u>	<u>\$ 1,709,299</u>	<u>\$ 33,835,448</u>
Governmental activities capital assets, net	<u><u>\$ 38,277,456</u></u>	<u><u>\$ 696,930</u></u>	<u><u>\$ 1,831,563</u></u>	<u><u>\$ 37,142,823</u></u>

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 5—Capital Assets: (Continued)****Enterprise Capital Assets:**

The following is a summary of changes in enterprise capital assets during the year:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2004</u>
<b>Water and Sewer Fund:</b>				
Land	\$ 235,200	\$ -	\$ -	\$ 235,200
Sewer Plant	2,214,804	699	-	2,215,503
Equipment	14,900	43,013	-	57,913
Total water and sewer fund	\$ 2,464,904	\$ 43,712	\$ -	\$ 2,508,616
Less accumulated depreciation	(315,923)	(61,554)	-	(377,477)
Net capital assets	<u>\$ 2,148,981</u>	<u>\$ (17,842)</u>	<u>\$ -</u>	<u>\$ 2,131,139</u>
<b>Landfill Fund</b>				
Land and land improvements	\$ 401,073	\$ -	\$ -	\$ 401,073
Equipment	49,479	11,977	-	61,456
Total landfill fund	\$ 450,552	\$ 11,977	\$ -	\$ 462,529
Less accumulated depreciation	(46,233)	(3,809)	-	(50,042)
Net capital assets	<u>\$ 404,319</u>	<u>\$ 8,168</u>	<u>\$ -</u>	<u>\$ 412,487</u>
<b>Airport Fund</b>				
Land	\$ 622,394	\$ -	\$ -	\$ 622,394
Buildings and improvements	6,595,568	28,247	-	6,623,815
Equipment	34,736	19,879	-	54,615
Construction in Progress	1,195,955	3,996,476	28,247	5,164,184
Total airport fund	8,448,653	4,044,602	28,247	12,465,008
Less accumulated depreciation	(620,540)	(219,101)	-	(839,641)
Net capital assets	<u>\$ 7,828,113</u>	<u>\$ 3,825,501</u>	<u>\$ 28,247</u>	<u>\$ 11,625,367</u>

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 5—Capital Assets: (Continued)**

The following is a summary of changes in School Board capital assets during the year:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets, not being depreciated:				
Land	\$ 200,151	\$ -	\$ -	\$ 200,151
Construction in Progress	<u>113,326</u>	<u>297,602</u>	<u>165,978</u>	<u>244,950</u>
Total capital assets not being depreciated	<u>\$ 313,477</u>	<u>\$ 297,602</u>	<u>\$ 165,978</u>	<u>\$ 445,101</u>
Capital assets, being depreciated:				
Buildings	\$ 20,485,170	\$ 605,102	\$ -	\$ 21,090,272
Land improvements	1,080,217	165,978	-	1,246,195
Equipment	9,042,896	1,758,747	48,031	10,753,612
Jointly owned assets	<u>3,535,336</u>	<u>2,047,422</u>	<u>-</u>	<u>5,582,758</u>
Total capital assets being depreciated	<u>\$ 34,143,619</u>	<u>\$ 4,577,249</u>	<u>\$ 48,031</u>	<u>\$ 38,672,837</u>
Less accumulated depreciation for:				
Buildings	\$ 11,356,455	\$ 957,272	\$ -	\$ 12,313,727
Equipment	<u>5,524,816</u>	<u>1,041,623</u>	<u>48,031</u>	<u>6,518,408</u>
Total accumulated depreciation	<u>\$ 16,881,271</u>	<u>\$ 1,998,895</u>	<u>\$ 48,031</u>	<u>\$ 18,832,135</u>
Total capital assets being depreciated, net	<u>\$ 17,262,348</u>	<u>\$ 2,578,354</u>	<u>\$ -</u>	<u>\$ 19,840,702</u>
School Board capital assets, net	<u><u>\$ 17,575,825</u></u>	<u><u>\$ 2,875,956</u></u>	<u><u>\$ 165,978</u></u>	<u><u>\$ 20,285,803</u></u>



**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 5—Capital Assets: (Continued)**

The gross capital assets were restated to reflect adjustments in joint tenancy assets and actual inventory adjustments as of June 30, 2003 as follows:

	<b>Balance</b>		<b>Restated</b>
	<b>June 30, 2003</b>	<b>Restatement</b>	<b>Balance</b>
	<b>June 30, 2003</b>		<b>June 30, 2003</b>
<b><u>Primary Government:</u></b>			
<b>Governmental Activities:</b>			
Capital assets, not being depreciated:			
Land	\$ 2,157,501	\$ (115,614)	\$ 2,041,887
Construction in Progress	218,672	-	218,672
Total capital assets not being depreciated	<u>\$ 2,376,173</u>	<u>\$ (115,614)</u>	<u>\$ 2,260,559</u>
Capital assets, being depreciated:			
Buildings	\$ 9,056,289	\$ -	\$ 9,056,289
Equipment	3,010,375	370,601	3,380,976
Jointly owned assets	31,997,685	-	31,997,685
Total capital assets being depreciated	<u>\$ 44,064,349</u>	<u>\$ 370,601</u>	<u>\$ 44,434,950</u>
Less accumulated depreciation for:			
Buildings	\$ 5,976,173	\$ 130,042	\$ 6,106,215
Equipment	1,980,305	331,533	2,311,838
Total capital assets being depreciated, net	<u>\$ 7,956,478</u>	<u>\$ 461,575</u>	<u>\$ 8,418,053</u>
Total capital assets being depreciated, net	<u>\$ 36,107,871</u>	<u>\$ (90,974)</u>	<u>\$ 36,016,897</u>
Governmental activities capital assets, net	<u><u>\$ 38,484,044</u></u>	<u><u>\$ (206,588)</u></u>	<u><u>\$ 38,277,456</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 5—Capital Assets: (Continued)**

	<u>Balance</u> <u>June 30, 2003</u>	<u>Restatement</u>	<u>Restated</u> <u>Balance</u> <u>June 30, 2003</u>
<b><u>Enterprise Funds</u></b>			
<b>Water and Sewer Fund</b>			
Land	\$ 235,200	\$ -	\$ 235,200
Sewer Plant	2,214,804	-	2,214,804
Equipment	14,900	-	14,900
Total Water and Sewer Fund	<u>\$ 2,464,904</u>	<u>\$ -</u>	<u>\$ 2,464,904</u>
Less accumulated depreciation	<u>\$ (271,880)</u>	<u>\$ (44,043)</u>	<u>\$ (315,923)</u>
Net capital assets	<u><u>\$ 2,193,024</u></u>	<u><u>\$ (44,043)</u></u>	<u><u>\$ 2,148,981</u></u>
<b>Landfill Fund</b>			
Land	\$ 542,255	\$ (141,182)	\$ 401,073
Equipment	49,479	-	49,479
Total Landfill Fund	<u>\$ 591,734</u>	<u>\$ (141,182)</u>	<u>\$ 450,552</u>
Less accumulated depreciation	<u>\$ (46,233)</u>	<u>\$ -</u>	<u>\$ (46,233)</u>
Net capital assets	<u><u>\$ 545,501</u></u>	<u><u>\$ (141,182)</u></u>	<u><u>\$ 404,319</u></u>
<b>Airport Fund</b>			
Land	\$ 579,886	\$ 42,508	\$ 622,394
Buildings and Improvements	7,357,088	(761,520)	6,595,568
Equipment	34,736	-	34,736
Construction in Progress	1,090,698	105,257	1,195,955
Total Airport Fund	<u>\$ 9,062,408</u>	<u>\$ (613,755)</u>	<u>\$ 8,448,653</u>
Less accumulated depreciation	<u>\$ (298,480)</u>	<u>\$ (322,060)</u>	<u>\$ (620,540)</u>
Net capital assets	<u><u>\$ 8,763,928</u></u>	<u><u>\$ (935,815)</u></u>	<u><u>\$ 7,828,113</u></u>

COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 5—Capital Assets: (Continued)**

	<u>Balance</u> <u>June 30, 2003</u>	<u>Restatement</u>	<u>Restated</u> <u>Balance</u> <u>June 30, 2003</u>
<b><u>Component Unit - School Board:</u></b>			
Capital assets, not being depreciated:			
Land and land improvements	\$ 200,151	\$ -	\$ 200,151
Construction in Progress	113,326	-	113,326
Total capital assets not being depreciated	<u>\$ 313,477</u>	<u>\$ -</u>	<u>\$ 313,477</u>
Capital assets, being depreciated:			
Buildings and improvements	\$ 21,107,784	\$ (622,614)	\$ 20,485,170
Land improvements	1,080,217	-	1,080,217
Equipment	9,042,896	-	9,042,896
Jointly owned assets	3,535,336	-	3,535,336
Total capital assets being depreciated	<u>\$ 34,766,233</u>	<u>\$ (622,614)</u>	<u>\$ 34,143,619</u>
Less accumulated depreciation for:			
Buildings	\$ 11,356,455	\$ -	\$ 11,356,455
Equipment	<u>5,524,816</u>	<u>-</u>	<u>5,524,816</u>
Total accumulated depreciation	<u>\$ 16,881,271</u>	<u>\$ -</u>	<u>\$ 16,881,271</u>
Total capital assets being depreciated, net	<u>\$ 17,884,962</u>	<u>\$ (622,614)</u>	<u>\$ 17,262,348</u>
Governmental activities capital assets, net	<u>\$ 18,198,439</u>	<u>\$ (622,614)</u>	<u>\$ 17,575,825</u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 5—Capital Assets: (Continued)

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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 73,793
Judicial administration	28,573
Public safety	408,932
Public works	101,769
Health and welfare	18,393
Education	748,757
Parks, recreation and cultural	51,320
Community development	<u>14,938</u>
Total governmental activities	\$ <u><u>1,446,475</u></u>
Enterprise Funds:	
Landfill	\$ 3,809
Water & sewer	61,554
Airport	<u>219,101</u>
Total enterprise funds	\$ <u><u>284,464</u></u>
Component Unit-School Board	\$ <u><u>1,655,148</u></u>

### Note 6—Deferred Revenue:

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Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$877,215 is comprised of the following:

#### A. Deferred Property Tax Revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$877,215 at June 30, 2004.

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 7—Long-Term Obligations:****Primary Government:**

The following is a summary of changes in long-term obligation transactions for the fiscal year ending June 30, 2004:

	<u>Amounts Payable at July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2004</u>	<u>Amounts Due Within One Year</u>
Governmental Funds:					
School general obligations bonds	\$ 31,997,685	\$ 4,613,000	\$ 5,995,422	\$ 30,615,263	\$ 2,155,894
Less deferred amount on refunding	<u>-</u>	<u>(637,902)</u>	<u>(20,604)</u>	<u>(617,298)</u>	<u>(46,567)</u>
Total School general obligation bonds	\$ 31,997,685	\$ 3,975,098	\$ 5,974,818	\$ 29,997,965	\$ 2,109,327
Compensated absences payable	866,437	437,945	216,609	1,087,773	108,777
General obligations bonds	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>	<u>62,173</u>
Total Primary Government	<u>\$ 32,864,122</u>	<u>\$ 6,413,043</u>	<u>\$ 6,191,427</u>	<u>\$ 33,085,738</u>	<u>\$ 2,280,277</u>
Enterprise Fund:					
Compensated absences payable	\$ 27,091	\$ 6,773	\$ 5,694	\$ 28,170	\$ 2,817
Airport revenue bonds	2,380,509	-	146,042	2,234,467	153,943
Landfill closure and post-closure costs	<u>653,531</u>	<u>-</u>	<u>-</u>	<u>653,531</u>	<u>-</u>
Total Primary Government	<u>\$ 3,061,131</u>	<u>\$ 6,773</u>	<u>\$ 151,736</u>	<u>\$ 2,916,168</u>	<u>\$ 156,760</u>

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 7—Long-Term Obligations: (Continued)****Primary Government: (Continued)**

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Revenue Bonds		School General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 153,943	\$ 116,720	\$ 2,155,894	\$ 1,506,450	\$ 62,173	\$ 833,001
2006	162,272	108,167	2,146,048	1,386,631	70,386	75,088
2007	171,051	99,151	2,142,431	1,267,029	73,165	72,309
2008	180,304	89,647	2,194,054	1,147,988	76,053	69,420
2009	190,059	79,628	2,223,838	1,024,204	79,056	66,417
2010	200,341	69,067	2,215,845	899,208	82,177	63,296
2011	211,180	57,961	1,692,635	793,984	85,422	60,051
2012	222,604	46,202	1,649,928	706,959	88,795	56,679
2013	234,647	33,833	1,550,230	626,808	92,300	53,173
2014	247,342	20,796	1,587,700	546,651	95,945	49,529
2015	260,724	7,053	1,625,716	464,061	99,733	45,741
2016	-	-	1,653,310	387,296	103,670	41,803
2017	-	-	1,686,512	309,343	107,763	37,710
2018	-	-	1,287,352	241,742	112,018	33,455
2019	-	-	1,318,862	184,385	116,441	29,032
2020	-	-	1,355,082	125,669	121,038	24,435
2021	-	-	1,387,506	72,947	125,817	19,656
2022	-	-	742,320	18,929	130,785	14,689
2023	-	-	-	-	135,948	9,525
2024	-	-	-	-	141,315	4,157
Total	\$ <u>2,234,467</u>	\$ <u>728,225</u>	\$ <u>30,615,263</u>	\$ <u>11,710,284</u>	\$ <u>2,000,000</u>	\$ <u>1,659,166</u>

Debt service requirements for general obligation bonds are met by the General Fund. The County retains the liability for the portion of general obligation bonds issued to fund capital projects of the School Board.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

### Note 7—Long-Term Obligations: (Continued)

#### Primary Government: (Continued)

Details of long-term obligations are as follows:

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>General Fund:</b>		
<u>County General Obligation Bonds:</u>		
\$2,000,000 General Obligation Bonds Series 2003 issued December 19, 2003 maturing semi-annually through January 15, 2024, interest payable semi-annually at 3.91%	\$ 2,000,000	\$ 62,173
<u>School General Obligation Bonds:</u>		
\$13,025,026 Virginia Public School Authority Bonds Series 2001B, issued November 15, 2001, maturing annually through July 15, 2021, interest payable semi-annually at 4.57%	\$ 11,833,678	\$ 599,170
\$12,000,000 Virginia Public School Authority Bonds 1994SA, issued April 1, 1994, to refund 1989B and 1990A maturing annually through December 15, 2009, interest payable semi-annually at rates from 7.000% to 7.225%	3,485,000	615,000
\$1,500,000 Virginia Public School Authority Bonds 1991A, issued May 1, 1991, maturing annually through December 15, 2010, interest payable semi-annually at rates from 6.1% to 8.1%	535,000	70,000
\$2,069,507 Virginia Public School Authority Bonds 1991B, issued July 1, 1991, maturing annually through July 15, 2011, interest payable semi-annually at rates from 4.85% to 6.60%	911,585	105,724
\$2,675,000 Virginia Public School Authority Bonds 1996A, issued May 1, 1996, maturing annually through January 15, 2017, interest payable semi-annually at rates ranging from 4.6% to 6.1%	1,755,000	135,000
\$6,000,000 Virginia Public School Authority Bonds 1996B, issued November 14, 1996, maturing annually through July 15, 2016, interest payable semi-annually at rates ranging from 5.1% to 5.255%	3,900,000	300,000

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 7—Long-Term Obligations: (Continued)****Primary Government: (Continued)**

	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<b>General Fund: (Continued)</b>		
<u>School General Obligation Bonds: (Continued)</u>		
\$8,325,000 Series 2000, issued August 10, 2000, accruing principal payments on this issue due in various annual installments through January 15, 2014, interest payable semi-annually at 5.33%	\$ 3,600,000	\$ 290,000
\$4,613,000 General Obligation Refunding Bond, Series 2003 dated August 6, 2003, principal payable annually in various incremental amounts through January 15, 2021, interest payable semiannually at 7.35%	<u>4,595,000</u>	<u>41,000</u>
Total school general obligation bonds	\$ <u>30,615,263</u>	\$ <u>2,155,894</u>
Compensated absences	\$ <u>1,087,773</u>	\$ <u>108,777</u>
Total long-term obligations	\$ 33,703,036	\$ 2,326,844
Less deferred amount on refunding bonds	<u>(617,298)</u>	<u>(46,567)</u>
Net long-term obligations	\$ <u><u>33,085,738</u></u>	\$ <u><u>2,280,277</u></u>
<b>Enterprise Funds:</b>		
<u>Airport Revenue Bond:</u>		
\$2,835,000 revenue bonds series 1999 issued December 15, 1999, payable in annual principal installments ranging from \$131,436 to \$260,723 through July 15, 2014, interest payable semiannually at 5.41%	\$ 2,234,467	\$ 153,943
Compensated absences	28,170	2,817
Landfill postclosure costs	<u>653,531</u>	<u>-</u>
Total enterprise obligations	\$ <u><u>2,916,168</u></u>	\$ <u><u>156,760</u></u>



**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Component Unit School Board:**

The following is summary of changes in long-term obligation transactions for fiscal year ending June 30, 2004.

	<b>Amounts Payable July 1, 2003</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable June 30, 2004</b>	<b>Amounts Due Within One Year</b>
Compensated absences payable	\$ 597,685	\$ 149,421	\$ 181,471	\$ 565,635	\$ 56,564
Capital lease	-	711,153	101,249	609,904	137,898
Total	<u>\$ 597,685</u>	<u>\$ 860,574</u>	<u>\$ 282,720</u>	<u>\$ 1,175,539</u>	<u>\$ 194,462</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

<b>Year Ending June 30,</b>	<b>Capital Lease</b>	
	<b>Principal</b>	<b>Interest</b>
2005	\$ 137,898	\$ 13,292
2006	141,287	9,903
2007	144,759	6,431
2008	148,315	2,875
2009	37,645	153
Total	<u>\$ 609,904</u>	<u>\$ 32,654</u>

Details of long-term obligations are as follows:

	<b>Amount Outstanding</b>
\$711,153 capital lease for school buses payable in monthly installments of \$12,599 through September 26, 2008. Interest payable at 2.43%	\$ 609,904
Compensated absences	<u>565,635</u>
Total long-term obligations	<u>\$ 1,175,539</u>

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### **Note 8—Debt Defeasance:**

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On August 6, 2003 the County issued \$4,613,000 of General Obligation Refunding Bonds to advance refund \$3,930,000 of School General Obligation Bonds, Series 2000. \$3,600,000 of the School General Obligation Bonds, Series 2000 which mature on January 15, 2005 through January 15, 2014 were not defeased with this bond issue. As a result the School General Obligation Bonds, which mature between January 15, 2015 to January 15, 2021 are considered to be defeased in substance, and the liability for these bonds has been removed from these financial statements. The 2003 bonds bear an interest rate of 3.63% and will be repaid in various installments through January 15, 2021.

The reacquisition price exceeded the carrying amount of the old debt by \$637,902.

This amount is being netted against the new debt and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over the next eighteen years by \$717,885 and resulted in an economic gain (loss) of \$377,598.

### **Note 9—Landfill Closure and Postclosure Care Cost:**

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The County owns a landfill site and began collecting tipping fees based upon the source of the waste as of July 1, 1994. The County maintains a contract with an independent contractor for operations of the landfill; however, the County is responsible for landfill closure and postclosure costs.

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$653,531 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. The County has closed the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues and from any funds accumulated for this purpose in the County Landfill Fund.

### **Note 10—Commitments and Contingencies:**

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Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 11—Defined Benefit Pension Plan:

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#### A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board non-professional employee contribution rates for the fiscal year ended 2004 were 4.00% and 1.00% of annual covered payroll, respectively.

The School Board's contribution for professional employees were \$966,670, \$884,427 and \$843,686 to the teacher cost-sharing pool for the fiscal years ended June 30, 2004, 2003 and 2002 respectively and these contributions represented 3.77%, 3.77% and 4.24% respectively, of current covered payroll.

#### C. Annual Pension Cost

For fiscal 2004, the County's annual pension cost of \$429,550 was equal to the County's required and actual contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

In fiscal 2004, the School Board's annual pension cost for the non-professional employees was \$18,764 which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 11—Defined Benefit Pension Plan: (Continued)**

**C. Annual Pension Cost: (Continued)**

	<u>County</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	4 Years	9 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>1</sup>	8.00%	8.00%
Projected salary increases: <sup>1</sup>		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

<sup>1</sup> Includes inflation at 3%

Trend information for the County and School Board:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2004	\$ 429,550	100%	\$ -
June 30, 2003	357,092	100%	-
June 30, 2002	397,074	100%	-
School Board:			
Non-professional:			
June 30, 2004	\$ 18,764	100%	\$ -
June 30, 2003	17,882	100%	-
June 30, 2002	16,753	100%	-

(1) Employer portion only

## COUNTY OF CULPEPER, VIRGINIA

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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### Note 12—Risk Management:

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The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

### Note 13—Litigation:

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On July 3, 2003 three related land use lawsuits in the amount of \$25,000,000 were filed by a developer regarding the denial of various preliminary site plans. The County's relevant coverage for suits of this nature totals \$3,000,000. All three cases have been tried and one of the three cases has been dismissed. The Judge ordered in favor of the Plaintiff in Case 1 and in favor of the County in Case 2. However no damages have been awarded. Solely equitable relief was granted in the Case 1. If the County appeals in Case 1, it is likely that Plaintiffs will appeal in Cases II & III.

At June 30, 2004, there were no other matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

### Note 14—Expenditures and Appropriations:

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Expenditures did not exceed appropriations at June 30, 2004 in any fund or department function.

### Note 15—Interfund Transfers:

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Interfund transfers for the year ended June 30, 2004, consisted of the following:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Primary Government:		
General Fund	\$ 918,693	\$ -
Airport Fund	-	918,693
Total	<u>\$ 918,693</u>	<u>\$ 918,693</u>

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

**Note 15—Interfund Transfers: (Continued)**

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 3,295,216
Landfill Fund	825,764	-
Water & Sewer Fund	152,714	-
County Capital Improvements Fund	2,065,500	-
Airport Fund	251,238	-
	<u>          </u>	<u>          </u>
Total	\$ <u>3,295,216</u>	\$ <u>3,295,216</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

**Note 16—Surety Bonds:**

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Patricia Payne, Clerk of the Circuit Court	\$ 25,000
W. Stephen Southard, Treasurer	400,000
Terry Yowell, Commissioner of the Revenue	3,000
H. Lee Hart, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Aetna Casualty and Surety Company - Surety	
Calvin Coleman, Director of the Department of Social Services	
James C. Lee, Supervisor	100,000
William C. Chase, Supervisor	1,000
Steven L. Walker, Supervisor	1,000
Steven E. Nixon, Supervisor	1,000
John F. Coates, Supervisor	1,000
Sue D. Hansohn, Supervisor	1,000
Bradley C. Rosenberger, Supervisor	1,000

**COUNTY OF CULPEPER, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2004 (Continued)

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**Note 17—Restatement of Fund Balance:**

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The Fund balance at June 30, 2003 of the Capital Project Fund was restated as follows:

Balance June 30, 2003	\$ 1,691,736
Adjustment for accounts payable	<u>(61,534)</u>
Fund balance as restated	<u><u>\$ 1,630,202</u></u>

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### **REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
General property taxes	\$ 31,834,820	\$ 31,834,820	\$ 29,211,381	\$ (2,623,439)
Other local taxes	6,988,733	6,988,733	8,819,164	1,830,431
Permits, privilege fees and regulatory licenses	731,150	751,150	1,365,250	614,100
Fines and forfeitures	45,000	45,000	96,481	51,481
Revenue from use of money and property	418,800	418,800	327,245	(91,555)
Charges for services	1,002,911	1,055,969	1,467,586	411,617
Miscellaneous	665,212	753,445	493,592	(259,853)
Recovered costs	147,485	192,937	151,654	(41,283)
Intergovernmental:				
Commonwealth	9,804,210	10,408,800	9,135,443	(1,273,357)
Federal	1,051,759	2,086,279	4,314,816	2,228,537
Total revenues	<u>\$ 52,690,080</u>	<u>\$ 54,535,933</u>	<u>\$ 55,382,612</u>	<u>\$ 846,679</u>
Expenditures:				
Current:				
General government administration:				
Legislative:				
Board of supervisors	<u>\$ 169,068</u>	<u>\$ 208,860</u>	<u>\$ 208,860</u>	<u>\$ -</u>
General and financial administration:				
County administration	\$ 258,412	250,912	\$ 243,531	\$ 7,381
County attorney	199,362	199,362	174,716	24,646
Human resources	162,657	168,887	152,654	16,233
Auditor	40,500	40,500	38,750	1,750
Commissioner of the Revenue	426,797	473,519	462,918	10,601
Treasurer	386,052	386,353	369,698	16,655
Department of finance and budget	336,896	341,222	318,857	22,365
Information systems	446,148	454,825	376,108	78,717
Total general and financial administration	<u>\$ 2,256,824</u>	<u>\$ 2,315,580</u>	<u>\$ 2,137,232</u>	<u>\$ 178,348</u>
Board of Elections:				
Electoral board and officials	\$ 50,192	\$ 50,192	\$ 42,373	\$ 7,819
Registrar	95,484	95,484	79,022	16,462
Total board of elections	<u>\$ 145,676</u>	<u>\$ 145,676</u>	<u>\$ 121,395</u>	<u>\$ 24,281</u>
Total general government administration	<u>\$ 2,571,568</u>	<u>\$ 2,670,116</u>	<u>\$ 2,467,487</u>	<u>\$ 202,629</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2004 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures:				
Judicial administration:				
Courts:				
Circuit court	\$ 72,381	\$ 72,381	\$ 58,218	\$ 14,163
Special magistrates	2,400	2,400	1,865	535
Clerk of the circuit court	486,331	518,039	466,725	51,314
Law library	19,500	37,399	20,112	17,287
Victim assistance program	72,705	72,973	68,356	4,617
Combined court	26,124	27,224	21,953	5,271
Sheriff	305,329	375,179	372,292	2,887
Criminal justice services	214,406	214,406	212,115	2,291
Commissioner of accounts	1,000	1,000	737	263
Total courts	<u>\$ 1,200,176</u>	<u>\$ 1,321,001</u>	<u>\$ 1,222,373</u>	<u>\$ 98,628</u>
Commonwealth's attorney:				
Commonwealth's attorney	<u>\$ 506,315</u>	<u>\$ 506,315</u>	<u>\$ 493,487</u>	<u>\$ 12,828</u>
Total judicial administration	<u>\$ 1,706,491</u>	<u>\$ 1,827,316</u>	<u>\$ 1,715,860</u>	<u>\$ 111,456</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,207,469	\$ 3,264,266	\$ 3,032,332	\$ 231,934
EMS council	15,400	15,400	14,950	450
IPPO grant	39,651	26,250	26,250	-
PO Family support grant	45,692	43,703	42,226	1,477
Other law enforcement and traffic control	293,706	465,905	412,228	53,677
E-911	1,154,557	1,155,256	978,166	177,090
Total law enforcement and traffic control	<u>\$ 4,756,475</u>	<u>\$ 4,970,780</u>	<u>\$ 4,506,152</u>	<u>\$ 464,628</u>
Fire and rescue services:				
Fire and rescue	\$ 786,450	\$ 789,279	\$ 773,935	\$ 15,344
State forest fire extinction	5,674	5,674	5,674	-
Total fire and rescue services	<u>\$ 792,124</u>	<u>\$ 794,953</u>	<u>\$ 779,609</u>	<u>\$ 15,344</u>
Correction and detention:				
Sheriff	\$ 2,003,188	\$ 2,013,449	\$ 1,942,203	\$ 71,246
Outside jail services	-	177,113	105,614	71,499
Probation office	185,200	225,200	211,695	13,505
Total correction and detention	<u>\$ 2,188,388</u>	<u>\$ 2,415,762</u>	<u>\$ 2,259,512</u>	<u>\$ 156,250</u>
Inspections:				
Building	<u>\$ 625,699</u>	<u>\$ 658,493</u>	<u>\$ 658,493</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2004 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Other protection:				
Animal control	\$ 444,601	\$ 449,937	\$ 401,341	\$ 48,596
Medical examiner	1,000	1,450	1,450	-
Emergency services	511,906	572,641	472,238	100,403
Total other protection	\$ 957,507	\$ 1,024,028	\$ 875,029	\$ 148,999
Total public safety	\$ 9,320,193	\$ 9,864,016	\$ 9,078,795	\$ 785,221
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 898,993	\$ 1,105,853	\$ 795,456	\$ 310,397
Total maintenance of general buildings and grounds	\$ 898,993	\$ 1,105,853	\$ 795,456	\$ 310,397
Total public works	\$ 898,993	\$ 1,105,853	\$ 795,456	\$ 310,397
Health and welfare:				
Health:				
Local health department	\$ 262,264	\$ 262,264	\$ 262,264	\$ -
Mental health and mental retardation:				
Community services	\$ 372,737	\$ 375,234	\$ 374,984	\$ 250
Welfare:				
Administration and public assistance	\$ 4,218,090	\$ 4,514,918	\$ 3,979,108	\$ 535,810
Community youth services	1,060,661	1,444,991	1,428,584	16,407
Families first	433,414	433,414	398,287	35,127
Headstart	-	1,085,647	1,085,647	-
Options	126,327	129,727	116,424	13,303
Daycare	1,538,489	1,570,000	1,377,421	192,579
Revenue maximization	765,683	765,683	750,272	15,411
Career resource center	364,663	318,758	278,068	40,690
Total welfare	\$ 8,507,327	\$ 10,263,138	\$ 9,413,811	\$ 849,327
Total health and welfare	\$ 9,142,328	\$ 10,900,636	\$ 10,051,059	\$ 849,577
Education:				
Contributions to community colleges	\$ 7,325	\$ 7,325	\$ 7,325	\$ -
Contributions to Piedmont Tech	129,760	229,899	229,899	-
Contributions to School Board Component Unit	20,816,416	20,845,180	18,660,094	2,185,086
Total education	\$ 20,953,501	\$ 21,082,404	\$ 18,897,318	\$ 2,185,086

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2004 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Parks, recreation and cultural:				
Parks and recreation:				
Parks and recreation	\$ 438,978	\$ 463,083	\$ 345,375	\$ 117,708
Library:				
Library	\$ 709,768	\$ 709,007	\$ 682,110	\$ 26,897
Total parks, recreation and cultural	\$ 1,148,746	\$ 1,172,090	\$ 1,027,485	\$ 144,605
Community development:				
Planning and community development:				
Planning	\$ 475,176	\$ 498,502	\$ 429,876	\$ 68,626
Chamber of commerce	10,000	10,000	10,000	-
Zoning board	4,844	4,844	4,222	622
Economic development	315,360	323,786	323,786	-
Total planning and community development	\$ 805,380	\$ 837,132	\$ 767,884	\$ 69,248
Environmental management:				
Soil and water conservation district	\$ 28,686	\$ 28,686	\$ 28,686	\$ -
Cooperative extension program:				
VPI extension	\$ 163,479	\$ 163,479	\$ 127,015	\$ 36,464
Total community development	\$ 997,545	\$ 1,029,297	\$ 923,585	\$ 105,712
Debt service:				
Principal retirement	\$ 2,096,927	\$ 2,096,927	\$ 2,065,422	\$ 31,505
Interest and fiscal charges	2,034,419	2,185,609	1,695,873	489,736
Total debt service	\$ 4,131,346	\$ 4,282,536	\$ 3,761,295	\$ 521,241
Total expenditures	\$ 50,870,711	\$ 53,934,264	\$ 48,718,340	\$ 5,215,924
Excess (deficiency) of revenues over expenditures	\$ 1,819,369	\$ 601,669	\$ 6,664,272	\$ 6,062,603
Other financing sources (uses):				
Transfers (out)	\$ (3,958,674)	\$ (3,629,089)	\$ (3,295,216)	\$ 333,873
Total other financing sources (uses)	\$ (3,958,674)	\$ (3,629,089)	\$ (3,295,216)	\$ 333,873
Changes in fund balances	\$ (2,139,305)	\$ (3,027,420)	\$ 3,369,056	\$ 6,396,476
Fund balances at beginning of year	2,139,305	3,027,420	22,149,413	19,121,993
Fund balances at end of year	\$ -	\$ -	\$ 25,518,469	\$ 25,518,469

The accompanying notes to financial statements are an integral part of this statement.

Schedule of Funding Progress for the Virginia Retirement System  
Last Three Fiscal Years

County

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2003	\$ 18,285,402	\$ 18,581,571	\$ 296,169	98.41%	\$ 9,109,502	3.25%
6/30/2002	17,491,693	16,399,040	(1,092,653)	106.66%	8,495,539	-12.86%
6/30/2001	16,346,485	14,506,623	(1,839,862)	112.68%	7,098,431	-25.92%

Discretely Presented Component Unit - School Board

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2003	\$ 4,966,916	\$ 4,597,655	\$ (369,261)	108.03%	\$ 1,753,909	-21.05%
6/30/2002	4,903,700	4,148,019	(755,681)	118.22%	1,647,487	-45.87%
6/30/2001	4,714,930	3,576,430	(1,138,500)	131.83%	1,670,389	-68.16%

**OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements and Schedules**

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- Capital Projects Fund  
 Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 15,454	\$ 15,454
Intergovernmental:				
Commonwealth	743,700	743,700	-	(743,700)
Federal	-	-	4,850	4,850
Total revenues	<u>\$ 743,700</u>	<u>\$ 743,700</u>	<u>\$ 20,304</u>	<u>\$ (723,396)</u>
Expenditures:				
Capital Projects:				
Public safety	\$ -	\$ 10,421	\$ 1,007,154	\$ (996,733)
Computer	35,000	99,403	44,503	54,900
Buildings and grounds	1,237,800	1,674,363	1,201,800	472,563
Public works	1,487,400	1,573,223	622,510	950,713
Airpark	-	874,775	-	874,775
Parks & recreation	49,000	2,129,961	125,252	2,004,709
Other capital projects	-	88,956	9,850	79,106
Total capital projects	<u>\$ 2,809,200</u>	<u>\$ 6,451,102</u>	<u>\$ 3,011,069</u>	<u>\$ 3,440,033</u>
Debt service:				
Refunding bond issuance costs	\$ -	\$ 45,098	\$ 76,044	\$ (30,946)
Total expenditures	<u>\$ 2,809,200</u>	<u>\$ 6,496,200</u>	<u>\$ 3,087,113</u>	<u>\$ 6,849,120</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,065,500)</u>	<u>\$ (5,752,500)</u>	<u>\$ (3,066,809)</u>	<u>\$ 6,125,724</u>
Other financing sources (uses):				
Issuance of refunding bonds	\$ -	\$ 45,098	\$ 4,613,000	\$ 4,567,902
Issuance of general obligation bonds	-	2,000,000	2,000,000	-
Payment to refunded bond escrow agent	-	-	(4,567,902)	(4,567,902)
Transfers in	2,065,500	2,065,500	2,065,500	-
Total other financing sources (uses)	<u>\$ 2,065,500</u>	<u>\$ 4,110,598</u>	<u>\$ 4,110,598</u>	<u>\$ -</u>
Changes in fund balances	\$ -	\$ (1,641,902)	\$ 1,043,789	\$ 6,125,724
Fund balances at beginning of year, as restated	-	1,641,902	1,630,202	(11,700)
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,673,991</u>	<u>\$ 2,673,991</u>

Combining Schedule of Fiduciary Net Assets -  
 Agency Funds  
 At June 30, 2004

	Special Welfare Fund	Sheriff Commissory Fund	Piedmont Tech Fund	Totals
<b>Assets:</b>				
Cash and cash equivalents	\$ 32,984	\$ 12,121	\$ 5,819	\$ 50,924
Accounts receivable	-	-	11,766	11,766
Total assets	<u>\$ 32,984</u>	<u>\$ 12,121</u>	<u>\$ 17,585</u>	<u>\$ 62,690</u>
<b>Liabilities:</b>				
Amounts held for others	\$ -	\$ -	\$ 17,585	\$ 17,585
Amounts held for inmates	-	12,121	-	12,121
Amounts held for social service clients	<u>32,984</u>	<u>-</u>	<u>-</u>	<u>32,984</u>
Total liabilities	<u>\$ 32,984</u>	<u>\$ 12,121</u>	<u>\$ 17,585</u>	<u>\$ 62,690</u>

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2004

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance End of Year</b>
<b>Special Welfare Fund:</b>				
Assets:				
Cash	\$ 17,863	\$ 78,463	\$ 63,342	\$ 32,984
Liabilities:				
Amounts held for social service clients	\$ 17,863	\$ 78,463	\$ 63,342	\$ 32,984
<b>Sheriff Commissary Fund:</b>				
Assets:				
Cash	\$ 14,996	\$ 57,448	\$ 60,323	\$ 12,121
Liabilities:				
Amounts held for inmates	\$ 14,996	\$ 57,448	\$ 60,323	\$ 12,121
<b>Piedmont Tech Fund:</b>				
Assets:				
Cash	\$ (6,245)	\$ 243,294	\$ 231,230	\$ 5,819
Accounts receivable	19,364	11,766	19,364	11,766
Total assets	\$ 13,119	\$ 255,060	\$ 250,594	\$ 17,585
Liabilities:				
Amounts held for others	\$ 13,119	\$ 255,060	\$ 250,594	\$ 17,585
Total liabilities	\$ 13,119	\$ 255,060	\$ 250,594	\$ 17,585
<b>Totals -- All agency funds</b>				
Assets:				
Cash	\$ 26,614	\$ 379,205	\$ 354,895	\$ 50,924
Accounts receivable	19,364	11,766	19,364	11,766
Total assets	\$ 45,978	\$ 390,971	\$ 374,259	\$ 62,690
Liabilities:				
Amounts held for social service clients	\$ 17,863	\$ 78,463	\$ 63,342	\$ 32,984
Amounts held for inmates	14,996	57,448	60,323	12,121
Amounts held for others	13,119	255,060	250,594	17,585
Total liabilities	\$ 3,557,065	\$ 390,971	\$ 374,259	\$ 62,690

## **Discretely Presented Component Unit-School Board**

## Combining Balance Sheet

Governmental Funds - Discretely Presented Component Unit -- School Board

At June 30, 2004

	Governmental Funds			
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,090	\$ 841,661	\$ 851,774	\$ 1,714,525
Receivables (net of allowances for uncollectibles):				
Accounts receivable	-	-	2,677	2,677
Due from other governmental units	2,340,145	-	-	2,340,145
Due from primary government	2,776,815	-	-	2,776,815
Total assets and other debits	\$ 5,138,050	\$ 841,661	\$ 854,451	\$ 6,834,161
<b>LIABILITIES</b>				
Accounts payable	\$ 428,113	\$ -	\$ 5,404	\$ 433,517
Accrued liabilities	4,709,937	132,180	-	4,842,117
Total liabilities	\$ 5,138,050	\$ 132,180	\$ 5,404	\$ 5,275,634
<b>FUND BALANCES</b>				
Unreserved:				
Designated for subsequent expenditures	\$ -	\$ 709,481	\$ -	\$ 709,481
Designated for capital projects	-	-	849,047	849,047
Total fund balances	\$ -	\$ 709,481	\$ 849,047	\$ 1,558,528
Total liabilities and fund balances	\$ 5,138,050	\$ 841,661	\$ 854,451	

Detailed explanation of adjustments from fund statements to government-wide statement of net assets:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the locality as a whole.

20,285,803

Long-term liabilities applicable to the locality's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term are reported in the statement of net assets.

(1,175,539)

Net assets of General Government Activities

\$ 20,668,792

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances --  
 Governmental Funds - Discretely Presented Component Unit -- School Board  
 Year Ended June 30, 2004

	Governmental Fund Types			Totals
	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	
Revenues:				
Revenue from use of money and property	\$ 16,548	\$ 1,301	\$ 39,768	\$ 57,617
Charges for services	4,121	1,368,788	-	1,372,909
Miscellaneous	339,478	42,595	91,000	473,073
Intergovernmental:				
County contribution to School Board	18,660,094	-	-	18,660,094
Commonwealth	23,079,899	26,243	-	23,106,142
Federal	3,377,529	636,106	-	4,013,635
Total revenues	\$ 45,477,669	\$ 2,075,033	\$ 130,768	\$ 47,683,470
Expenditures:				
Current:				
Education	\$ 45,364,277	\$ 1,938,147	\$ -	\$ 47,302,424
Capital projects	-	-	1,623,508	1,623,508
Debt service:				
Principal retirement	101,249	-	-	101,249
Interest and other fiscal charges	12,143	-	-	12,143
Total expenditures	\$ 45,477,669	\$ 1,938,147	\$ 1,623,508	\$ 49,039,324
Excess (deficiency) of revenues over expenditures	\$ -	\$ 136,886	\$ (1,492,740)	\$ (1,355,854)
Other financing sources (uses):				
Issuance of capital lease	\$ -	\$ -	\$ 711,153	\$ 711,153
Total other financing sources (uses)	\$ -	\$ -	\$ 711,153	\$ 711,153
Changes in fund balances	\$ -	\$ 136,886	\$ (781,587)	\$ (644,701)
Fund balances at beginning of year	-	572,595	1,630,634	2,203,229
Fund balances at end of year	\$ -	\$ 709,481	\$ 849,047	\$ 1,558,528

COUNTY OF CULPEPER, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Governmental Funds - Budget and Actual -- Discretely Presented Component Unit -- School Board  
 Year Ended June 30, 2004

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Budget	Final Budget	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 16,548	\$ 16,548
Charges for services	-	-	4,121	4,121
Miscellaneous	483,919	483,919	339,478	(144,441)
Intergovernmental:				
County contribution to School Board	20,464,808	20,493,572	18,660,094	(1,833,478)
Commonwealth	23,465,723	23,560,989	23,079,899	(481,090)
Federal	2,349,708	2,469,708	3,377,529	907,821
Total revenues	\$ 46,764,158	\$ 47,008,188	\$ 45,477,669	\$ (1,530,519)
Expenditures:				
Current:				
Education:				
Instruction	\$ 37,275,531	\$ 37,478,160	\$ 36,647,372	\$ 830,788
Administration, attendance and health	1,923,624	1,963,493	2,006,094	(42,601)
Pupil transportation	2,334,130	2,334,130	2,261,480	72,650
Operation and maintenance of school plant	5,117,481	5,274,537	4,401,567	872,970
Facilities	-	47,764	47,764	-
School food service	-	-	-	-
Total education	\$ 46,650,766	\$ 47,098,084	\$ 45,364,277	\$ 1,733,807
Capital Projects	-	-	-	-
Debt service:				
Principal retirement	101,249	101,249	101,249	-
Interest and other fiscal charges	12,143	12,143	12,143	-
Total expenditures	\$ 46,764,158	\$ 47,211,476	\$ 45,477,669	\$ 1,733,807
Excess (deficiency) of revenues over expenditures	\$ -	\$ (203,288)	\$ -	\$ 203,288
Other financing sources (uses):				
Issuance of capital lease	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Changes in fund balances	\$ -	\$ (203,288)	\$ -	\$ 203,288
Fund balances at beginning of year	-	203,288	-	(203,288)
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -



School Cafeteria Fund				School Capital Projects Fund			
Final Budget	Amended	Actual	Variance From Final Budget Positive (Negative)	Budget	Amended	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ 1,301	\$ 1,301	\$ -	\$ -	\$ 39,768	\$ 39,768
1,113,383	1,113,383	1,368,788	255,405	-	-	-	-
-	-	42,595	42,595	-	-	91,000	91,000
-	-	-	-	465,000	465,000	-	(465,000)
26,617	26,617	26,243	(374)	-	-	-	-
660,000	660,000	636,106	(23,894)	-	-	-	-
<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,075,033</u>	<u>\$ 275,033</u>	<u>\$ 465,000</u>	<u>\$ 465,000</u>	<u>\$ 130,768</u>	<u>\$ (334,232)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,800,000	1,800,000	1,938,147	(138,147)	-	-	-	-
<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,938,147</u>	<u>\$ (138,147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	-	465,000	3,968,527	1,623,508	2,345,019
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,938,147</u>	<u>\$ (138,147)</u>	<u>\$ 465,000</u>	<u>\$ 3,968,527</u>	<u>\$ 1,623,508</u>	<u>\$ 2,345,019</u>
\$ -	\$ -	\$ 136,886	\$ 136,886	\$ -	\$ (3,503,527)	\$ (1,492,740)	\$ 2,010,787
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 711,153	\$ 711,153	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 711,153	\$ 711,153	\$ -
\$ -	\$ -	\$ 136,886	\$ 136,886	\$ -	\$ (2,792,374)	\$ (781,587)	\$ 2,010,787
-	-	572,595	572,595	-	2,792,374	1,630,634	(1,161,740)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,481</u>	<u>\$ 709,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 849,047</u>	<u>\$ 849,047</u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2004

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (644,701)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital

Net change in fund balances - total governmental funds		
Capital asset additions	\$ 2,661,451	
Depreciation expense	<u>(1,655,148)</u>	1,006,303

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount reflects the change in accrued leave.	32,050
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Details of this adjustment are as follows:

Principal retired on capital lease obligations	\$ 101,249	
Issuance of capital lease	<u>(711,153)</u>	(609,904)

Transfer of joint tenancy assets from Primary Government to the Component Unit	<u>1,703,675</u>
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Change in net assets of governmental activities	<u><u>\$ 1,487,423</u></u>
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## **Supporting Schedules**

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Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2004

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 19,977,162	\$ 19,977,162	\$ 21,059,488	\$ 1,082,326
Real and personal public service corporation property taxes	1,006,131	1,006,131	1,142,231	136,100
Personal property taxes	9,005,271	9,005,271	5,061,099	(3,944,172)
Mobile home taxes	37,999	37,999	40,158	2,159
Machinery and tools taxes	1,458,257	1,458,257	1,511,042	52,785
Penalties	225,000	225,000	271,759	46,759
Interest	125,000	125,000	125,604	604
Total general property taxes	<u>\$ 31,834,820</u>	<u>\$ 31,834,820</u>	<u>\$ 29,211,381</u>	<u>\$ (2,623,439)</u>
Other local taxes:				
Local sales and use taxes	\$ 3,667,713	3,667,713	\$ 4,671,523	\$ 1,003,810
Transient occupancy tax	5,400	5,400	38,268	32,868
Consumer utility taxes	1,465,961	1,465,961	1,780,313	314,352
Franchise license taxes	75,500	75,500	89,176	13,676
Motor vehicle licenses	629,000	629,000	692,057	63,057
Taxes on recordation and wills	340,159	340,159	729,478	389,319
E-911 Taxes	805,000	805,000	818,349	13,349
Total other local taxes	<u>\$ 6,988,733</u>	<u>\$ 6,988,733</u>	<u>\$ 8,819,164</u>	<u>\$ 1,830,431</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 12,200	\$ 12,200	\$ 13,822	\$ 1,622
Building and related permits	625,000	645,000	1,082,673	437,673
Other permits and licenses	93,950	93,950	268,755	174,805
Total permits, privilege fees and regulatory licenses	<u>\$ 731,150</u>	<u>\$ 751,150</u>	<u>\$ 1,365,250</u>	<u>\$ 614,100</u>
Fines and Forfeitures:				
Court fines and forfeitures	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ 96,481</u>	<u>\$ 51,481</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 300,000	\$ 300,000	\$ 243,998	\$ (56,002)
Revenue from use of property	118,800	118,800	83,247	(35,553)
Total revenue from use of money and property	<u>\$ 418,800</u>	<u>\$ 418,800</u>	<u>\$ 327,245</u>	<u>\$ (91,555)</u>
Charges for services:				
Excess fees of clerk	\$ 20,000	\$ 29,207	\$ 322,154	\$ 292,947
Charges for Commonwealth's attorney	1,100	1,100	1,518	418
Charges for parks and recreation	115,954	115,954	76,565	(39,389)
Charges for law enforcement and traffic control	7,500	7,500	22,560	15,060
Charges for courthouse maintenance fees	16,000	16,000	18,083	2,083
Charges for courthouse and courtroom security fees	20,000	24,180	47,548	23,368
Charges for other protection	21,500	21,500	46,221	24,721
Charges for library	28,731	32,936	35,103	2,167
Charges for planning and community development	29,651	29,651	3,199	(26,452)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2004 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Charges for services: (continued)				
Charges for law library	\$ 13,500	\$ 13,500	\$ 13,903	\$ 403
Cosmetology fees	55,534	91,000	99,805	8,805
Charges for daycare	673,441	673,441	780,927	107,486
Total charges for services	\$ 1,002,911	\$ 1,055,969	\$ 1,467,586	\$ 411,617
Miscellaneous revenue:				
Miscellaneous	\$ 665,212	\$ 753,445	\$ 483,517	\$ (269,928)
Insurance recoveries	-	-	10,075	10,075
Total miscellaneous revenue	\$ 665,212	\$ 753,445	\$ 493,592	\$ (259,853)
Recovered costs:				
Wheels for work	\$ 21,690	\$ 21,690	\$ 19,285	\$ (2,405)
Revenue maximization	92,260	137,712	4,500	(133,212)
Payments from localities	33,535	33,535	127,869	94,334
Total recovered costs	\$ 147,485	\$ 192,937	\$ 151,654	\$ (41,283)
Total revenue from local sources	\$ 41,834,111	\$ 42,040,854	\$ 41,932,353	\$ (108,501)
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 14,421	\$ 14,421	\$ 37,512	\$ 23,091
Wine taxes	15,116	15,116	23,252	8,136
Motor vehicle carriers' tax	34,151	34,151	33,199	(952)
Recordation tax	169,340	169,340	224,373	55,033
Mobile home titling taxes	34,402	34,402	17,120	(17,282)
Tax on deeds	121,580	121,580	-	(121,580)
PPTRA	-	-	3,111,373	3,111,373
Auto rental tax	4,000	4,000	7,447	3,447
Total noncategorical aid	\$ 393,010	\$ 393,010	\$ 3,454,276	\$ 3,061,266
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 278,592	\$ 278,592	\$ 277,723	\$ (869)
Sheriff	2,128,957	2,147,847	2,163,859	16,012
Commissioner of the Revenue	92,577	92,577	92,809	232
Treasurer	104,975	104,975	107,018	2,043
Medical examiner	600	600	960	360
Registrar/electoral board	49,262	49,262	41,811	(7,451)
Clerk of the Circuit Court	222,822	245,322	250,637	5,315
Combined Court	5,000	5,000	8,518	3,518
Total shared expenses	\$ 2,882,785	\$ 2,924,175	\$ 2,943,335	\$ 19,160

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2004 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Welfare administration and assistance	\$ 4,508,938	\$ 4,865,040	\$ 740,287	\$ (4,124,753)
Local jail	144,000	144,000	243,813	99,813
Welfare to work grant	82,647	39,000	23,057	(15,943)
Abandoned vehicle program	6,000	6,000	320	(5,680)
Fire service program	28,000	28,000	36,703	8,703
Families first grant	423,414	423,414	300,552	(122,862)
Options	20,000	23,400	23,400	-
Library aid	132,552	132,616	132,616	-
Community youth services grant	647,091	883,945	808,946	(74,999)
Juvenile and domestic relations	85,343	72,394	72,394	-
Criminal justice services	214,406	214,406	212,115	(2,291)
School resource officer grant	53,166	53,166	23,956	(29,210)
Crime victim assistance	72,705	72,973	65,724	(7,249)
VA tobacco settlement found	55,839	55,828	37,760	(18,068)
Other categorical aid	54,314	77,433	16,189	(61,244)
Total other categorical aid	\$ 6,528,415	\$ 7,091,615	\$ 2,737,832	\$ (4,353,783)
Total categorical aid	\$ 9,411,200	\$ 10,015,790	\$ 5,681,167	\$ (4,334,623)
Total revenue from the Commonwealth	\$ 9,804,210	\$ 10,408,800	\$ 9,135,443	\$ (1,273,357)
Revenue from the federal government:				
Categorical aid:				
Welfare administration and assistance	\$ 765,683	\$ 765,683	\$ 3,085,714	\$ 2,320,031
Adult services grant	204,792	167,068	144,035	(23,033)
COPS grant	76,284	76,284	148,112	71,828
School resource officer grant	-	-	29,210	29,210
VSTOP grant	-	-	44,380	44,380
Commission for the arts	5,000	5,000	5,000	-
Emergency services	-	25,182	30,600	5,418
Drug forfeitures	-	-	4,945	4,945
Headstart	-	1,007,884	763,304	(244,580)
Law enforcement grant	-	-	6,073	6,073
Universal hiring grant	-	39,178	45,000	5,822
DMV selective enforcement grant	-	-	8,443	8,443
Total revenue from the federal government	\$ 1,051,759	\$ 2,086,279	\$ 4,314,816	\$ 2,228,537
Total General Fund	\$ 52,690,080	\$ 54,535,933	\$ 55,382,612	\$ 846,679

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2004 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Primary Government: (Continued)				
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 414	\$ 414
Revenue from use of property	-	-	15,040	15,040
Total revenue from use of money and property	\$ -	\$ -	\$ 15,454	\$ 15,454
Total revenue from local sources	\$ -	\$ -	\$ 15,454	\$ 15,454
Revenue from the Commonwealth:				
Categorical aid:				
VDOT grant	\$ 743,700	\$ 743,700	\$ -	\$ (743,700)
Total revenue from the Commonwealth	\$ 743,700	\$ 743,700	\$ -	\$ (743,700)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 4,850	\$ 4,850
Total revenue from the Federal government	\$ -	\$ -	\$ 4,850	\$ 4,850
Total Capital Projects Fund	\$ 743,700	\$ 743,700	\$ 20,304	\$ (723,396)
Grand Total Revenues -- Primary Government	\$ 53,433,780	\$ 55,279,633	\$ 55,402,916	\$ 123,283
Component Unit -- School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 16,548	\$ 16,548
Total revenue from use of money and property	\$ -	\$ -	\$ 16,548	\$ 16,548
Charges for services:				
Textbook sales	\$ -	\$ -	\$ 4,121	\$ 4,121
Total charges for services	\$ -	\$ -	\$ 4,121	\$ 4,121
Miscellaneous revenue:				
Refunds of gasoline tax	\$ -	\$ -	\$ 330,899	\$ 330,899
Miscellaneous	483,919	483,919	8,579	(475,340)
Total miscellaneous revenue	\$ 483,919	\$ 483,919	\$ 339,478	\$ (144,441)
Total revenue from local sources	\$ 483,919	\$ 483,919	\$ 360,147	\$ (123,772)
Intergovernmental revenue:				
County contribution to School Board	\$ 20,464,808	\$ 20,493,572	\$ 18,660,094	\$ (1,833,478)



## Governmental Funds and Discretely Presented Component Unit - School Board

## Schedule of Revenues -- Budget and Actual

Year Ended June 30, 2004 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,557,670	\$ 4,557,670	\$ 4,409,705	\$ (147,965)
Basic school aid	13,079,904	13,079,904	12,919,754	(160,150)
Special education-SOQ	1,244,316	1,244,316	1,224,035	(20,281)
Primary class size	313,743	313,743	289,449	(24,294)
Gifted and talented	138,685	138,685	136,425	(2,260)
Remedial education	208,028	208,028	204,637	(3,391)
Third grade remedial	37,776	37,776	74,679	36,903
Vocational education-SOQ	134,833	134,833	132,635	(2,198)
Educational technology	310,000	310,000	232,000	(78,000)
At - risk	204,747	204,747	170,623	(34,124)
Lottery	863,817	863,817	849,814	(14,003)
Textbook	290,315	290,315	285,583	(4,732)
Fringe benefits	1,048,199	1,048,199	1,048,045	(154)
SOL reimbursement	87,080	87,080	242,453	155,373
Early reading intervention	49,709	49,709	106,289	56,580
School construction	178,914	178,914	178,780	(134)
Other categorical aid	717,987	813,253	574,993	(238,260)
Total categorical aid	\$ 23,465,723	\$ 23,560,989	\$ 23,079,899	\$ (481,090)
Total revenue from the Commonwealth	\$ 23,465,723	\$ 23,560,989	\$ 23,079,899	\$ (481,090)
Revenue from the federal government:				
Categorical aid:				
Chapter I	\$ 896,340	\$ 896,340	\$ 901,757	\$ 5,417
Title II -- education for economic security	207,548	207,548	254,974	47,426
Drug free schools	-	-	17,954	17,954
Title III	-	-	4,921	4,921
Title VI - B	760,977	760,977	1,670,114	909,137
Preschool incentive	45,206	45,206	45,123	(83)
Title V	-	-	88,120	88,120
Vocational education	99,360	99,360	97,960	(1,400)
21st Century	30,277	30,277	112,385	82,108
Literacy challenge	-	-	13,296	13,296
Smaller learning communities	169,000	289,000	170,925	(118,075)
Miscellaneous federal grants	141,000	141,000	-	(141,000)
Total revenue from the federal government	\$ 2,349,708	\$ 2,469,708	\$ 3,377,529	\$ 907,821
Total School Operating Fund	\$ 46,764,158	\$ 47,008,188	\$ 45,477,669	\$ (1,530,519)

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2004 (continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget Positive (Negative)</b>
Component Unit -- School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,301	\$ 1,301
Charges for services:				
Cafeteria sales	1,113,383	1,113,383	1,368,788	255,405
Miscellaneous revenue:				
Miscellaneous	-	-	42,595	42,595
Total revenue from local sources	\$ 1,113,383	\$ 1,113,383	\$ 1,412,684	\$ 299,301
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 26,617	\$ 26,617	\$ 26,243	\$ (374)
Total revenue from the Commonwealth	\$ 26,617	\$ 26,617	\$ 26,243	\$ (374)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 660,000	\$ 660,000	\$ 636,106	\$ (23,894)
Total revenue from the federal government	\$ 660,000	\$ 660,000	\$ 636,106	\$ (23,894)
Total School Cafeteria Fund	\$ 1,800,000	\$ 1,800,000	\$ 2,075,033	\$ 275,033
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 39,768	\$ 39,768
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 91,000	\$ 91,000
Intergovernmental revenue:				
County contribution to School Board	\$ 465,000	\$ 465,000	\$ -	\$ (465,000)
Total School Capital Projects Fund	\$ 465,000	\$ 465,000	\$ 130,768	\$ (334,232)
Grand Total Revenues--Component Unit--School Board	\$ 48,564,158	\$ 49,273,188	\$ 47,683,470	\$ (1,589,718)
Grand Total Revenues -- Reporting Entity	\$ 101,997,938	\$ 104,552,821	\$ 103,086,386	\$ (1,466,435)

## STATISTICAL SECTION



## Statistical Tables

**COUNTY OF CULPEPER, VIRGINIA**Government-Wide Expenses by Function  
Last Three Fiscal Years

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<b>Fiscal Year</b>	<b>General Government Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Welfare</b>	<b>Education</b>
2001-02	\$ 2,021,301	\$ 1,589,341	\$ 6,248,448	\$ 415,475	\$ 7,196,456	\$ 5,594,190
2002-03	2,407,532	1,577,158	7,360,961	781,679	8,264,228	19,307,486
2003-04	2,499,392	1,740,818	9,103,918	1,283,304	10,142,768	22,350,250

Table 1

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	Recreation and Cultural	Community Development	Capital Outlays	Non-Depart- mental	Interest on Debt	Landfill	Water & Sewer	Airport	Total
\$	1,048,520	\$ 818,280	\$ 300,424	\$ 70,825	\$ 1,027,750	\$ 1,845,751	\$ 151,347	\$ 606,666	\$ 28,934,774
	923,477	878,919	1,930,369	-	1,992,258	1,984,407	188,694	684,971	48,282,139
	1,095,318	956,662	-	-	1,770,141	2,646,458	288,077	698,619	54,575,725

COUNTY OF CULPEPER, VIRGINIA

Government-Wide Revenues

Last Three Fiscal Years

Fiscal Year	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2001-02	\$ 3,332,096	\$ 9,089,540	\$ 4,564,066
2002-03	3,837,432	9,403,203	1,077,046
2003-04	5,192,404	9,995,983	3,814,763



Table 2

General Revenues					
General Property Taxes	Other Local Taxes	Commonwealth of Virginia Non-Categorical Aid	Revenues from the Use of Money & Property	Miscellaneous	Total
\$ 22,684,654	\$ 6,261,152	\$ 2,803,975	\$ 653,014	\$ 514,260	\$ 49,902,757
24,428,142	7,192,003	3,385,516	441,331	347,492	50,112,165
29,451,312	8,819,164	3,454,276	351,264	493,592	61,572,758

# COUNTY OF CULPEPER, VIRGINIA

## General Government Expenditures by Function (1) Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Welfare</b>
1994-95	\$ 1,015,193	\$ 697,560	\$ 3,361,560	\$ 349,466	\$ 2,881,810
1995-96	1,443,617	741,736	3,448,372	477,604	3,450,401
1996-97	1,323,224	977,590	4,002,375	509,133	3,645,618
1997-98	1,513,059	1,116,992	4,546,722	474,663	3,925,411
1998-99	1,997,729	1,280,914	5,027,376	480,148	4,446,869
1999-00	2,116,520	1,384,594	5,540,995	623,381	5,518,988
2000-01	2,256,434	1,513,634	6,544,990	520,397	6,101,477
2001-02	2,027,756	1,542,471	6,982,854	778,230	7,677,139
2002-03	2,354,893	1,592,045	7,611,193	787,182	8,274,809
2003-04	2,467,487	1,715,860	9,078,795	795,456	10,051,059

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Note Fiscal Year 2001-02 does not include contributions from the Primary Government to the School Board of Board \$16,322,573 and contributions from the School to the Primary Government of \$ 492,125.

Table 3

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<u>Education</u>	<u>Recreation and Cultural</u>	<u>Community Development</u>	<u>Non- Departmental</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 26,927,528	\$ 103,705	\$ 1,103,042	\$ -	\$ 2,422,097	\$ 2,068,473	\$ 40,930,434
27,262,775	110,431	764,498	-	3,049,658	1,732,373	42,481,465
30,557,603	304,883	871,865	1,713	10,351,374	1,812,833	54,358,211
32,537,700	493,837	907,122	-	7,709,372	2,578,265	55,803,143
33,733,895	613,341	1,032,566	-	3,910,787	2,498,306	55,021,931
37,169,323	731,991	1,063,624	1,768	4,512,288	2,516,760	61,180,232
38,323,552	843,992	1,604,381	12,628	8,686,707	2,923,744	69,331,936
40,795,971	897,627	799,450	70,825	14,586,822	3,042,723	79,201,868
43,679,748	947,467	868,872	-	4,639,186	4,069,921	74,825,316
47,539,648	1,027,485	923,585	-	4,634,577	3,950,731	82,184,683

# COUNTY OF CULPEPER, VIRGINIA

## General Government Revenues by Source (1) Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Permit Privilege Fees &amp; Regulatory Licenses</b>	<b>Fines &amp; Forfeitures</b>
1994-95	\$ 15,717,766	\$ 3,201,485	\$ 317,518	\$ 2,120
1995-96	16,612,571	3,332,562	303,289	9,776
1996-97	17,846,374	3,739,301	315,011	67,148
1997-98	18,411,386	3,882,121	382,505	50,234
1998-99	19,819,201	4,319,891	438,841	46,738
1999-00	19,515,562	5,628,625	376,368	55,042
2000-01	21,292,619	5,993,067	602,886	24,781
2001-02	22,575,874	6,261,152	712,117	41,576
2002-03	24,445,197	7,192,003	941,713	79,245
2003-04	29,211,381	8,819,164	1,365,250	96,481

(1) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Note Fiscal Year 2001-02 does not include contributions from the Primary Government to the School Board of \$16,322,573 and contributions from the School Board to the Primary Government of \$492,125

Table 4

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<b>Revenues from the Use of Money &amp; Property</b>	<b>Charges for Services</b>	<b>Miscellaneous</b>	<b>Recovered Costs</b>	<b>Inter- governmental</b>	<b>Total</b>
\$ 1,060,332	\$ 1,473,040	\$ 125,731	\$ -	\$ 19,458,610	\$ 41,356,602
1,119,942	1,384,928	160,169	-	20,016,290	42,939,527
1,461,717	1,564,490	558,744	147,496	22,201,807	47,902,088
1,255,190	1,660,206	1,836,710	94,765	24,490,007	52,063,124
1,508,457	2,074,884	792,700	368,654	26,456,116	55,825,482
1,121,867	2,141,159	1,050,828	312,203	30,307,920	60,509,574
2,530,417	2,207,046	1,197,766	349,084	32,902,979	67,100,645
877,544	2,000,581	1,618,808	440,647	35,422,164	69,950,463
560,014	2,264,757	1,201,902	268,332	37,037,217	73,990,380
400,316	2,840,495	966,665	151,654	40,574,886	84,426,292

## COUNTY OF CULPEPER, VIRGINIA

### Property Tax Levies and Collections Last Ten Fiscal Years

<b>Fiscal Year</b>		<b>Total (1) Tax Levy</b>		<b>Current Tax (1)(4) Collections</b>		<b>Percent of Levy Collected</b>		<b>Delinquent (1) Tax (2) Collections</b>
1994-95	\$	15,289,140	\$	14,498,181		94.83%	\$	552,230
1995-96		16,311,291		15,664,498		96.03%		502,183
1996-97		17,136,386		16,566,121		96.67%		711,413
1997-98		17,842,385		17,048,176		95.55%		864,665
1998-99		19,740,029		18,909,383		95.79%		549,085
1999-00		19,908,616		19,238,696		96.64%		572,875
2000-01		22,779,724		21,764,061		95.54%		796,745
2001-02		25,171,456		24,210,243		96.18%		435,817
2002-03		27,954,349		26,484,236		94.74%		667,612
2003-04		31,558,554		31,079,517		98.48%		845,874

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes three years taxes.

(4) Includes revenue from the Commonwealth for Personal Property Tax Relief Act.

Table 5

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Total Tax Collections		Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)(3)		Percent of Delinquent Taxes to Tax Levy
\$	15,050,411	98.44%	\$	1,260,449	8.24%
	16,166,681	99.11%		1,307,097	8.01%
	17,277,534	100.82%		1,167,651	6.81%
	17,912,841	100.39%		1,129,576	6.33%
	19,458,468	98.57%		1,023,118	5.18%
	19,811,571	99.51%		969,289	4.87%
	22,560,806	99.04%		1,008,418	4.43%
	24,646,060	97.91%		946,184	3.76%
	27,151,848	97.13%		876,797	3.14%
	31,925,391	101.16%		1,079,230	3.42%

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Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Public Service	Total
1994-95	\$ 1,351,018,108	\$ 56,905,248	\$ 4,102,569	\$ 16,512,457	\$ 12,250,977	\$ 86,033,610	\$ 1,526,822,969
1995-96	1,376,370,540	66,485,190	4,415,150	19,754,355	14,358,361	89,184,427	1,570,568,023
1996-97	1,432,564,866	77,132,772	4,225,600	20,761,364	7,996,763	92,962,364	1,635,643,729
1997-98	1,615,897,300	81,527,039	4,618,423	25,697,286	4,267,493	93,136,336	1,825,143,877
1998-99	1,755,100,700	84,462,327	2,944,900	34,637,961	4,334,925	108,519,015	1,989,999,828
1999-00	1,803,944,800	89,792,599	3,206,000	28,408,306	51,454	106,218,265	2,031,621,424
2000-01	1,856,943,600	264,000,872 (1)	3,268,700	77,810,297 (1)	-	94,661,009	2,296,684,478
2001-02	1,911,199,400	281,868,312	3,335,500	85,457,408	-	109,358,826	2,391,219,446
2002-03	1,992,958,160	349,665,282	3,586,900	72,912,837	-	106,588,172	2,525,711,351
2003-04	2,921,047,300	329,442,255	3,862,000	68,045,868	-	132,231,633	3,454,629,056

(1) In fiscal year 2000-01 the Commissioner of Revenue changed assessment methodology from 40% fair market value to 100% fair market value. All other amounts are at 100% fair market value.

Property Tax Rates (1)  
Last Ten Fiscal Years

<b>Fiscal Years</b>		<b>Real Estate</b>		<b>Personal Property</b>		<b>Machinery and Tools</b>		<b>Merchants' Capital</b>
1994-95	\$	0.74	\$	6.25	\$	5.00	\$	1.64
1995-96		0.74		6.25		5.00		1.48
1996-97		0.74		6.25		5.00		1.00
1997-98		0.74		6.25		5.00		0.50
1998-99		0.74		6.25		5.00		0.50
1999-00		0.74		6.25		5.00		0.10
2000-01		0.82		2.50	(2)	2.00	(2)	-
2001-02		0.88		2.50		2.00		-
2002-03		0.92		2.50		2.00		-
2003-04		0.81		2.50		2.00		-

(1) Per \$100 of assessed value

(2) In fiscal year 2000-01 the Board of Supervisors changed tax rates as result of change in assessment methodology as disclosed in table 4.

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value (in thousands)(2)</b>	<b>Gross Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>
1994-95	31,200	\$ 1,526,822,969	\$ 12,533,599	0.82%	\$ 402
1995-96	31,700	1,570,568,023	14,313,772	0.91%	452
1996-97	32,200	1,635,643,729	19,378,381	1.18%	602
1997-98	32,700	1,825,143,877	18,062,243	0.99%	552
1998-99	33,083	1,989,999,828	18,090,214	0.91%	547
1999-00	33,400	2,031,621,424	19,587,186	0.96%	586
2000-01	34,262	2,296,684,478	25,158,487	1.10%	734
2001-02	34,700	2,391,219,446	34,047,488	1.42%	981
2002-03	35,900	2,525,711,351	31,997,685	1.27%	891
2003-04	35,900	3,454,629,056	32,615,263	0.94%	909

(1) Bureau of the Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, Bond Anticipation Notes, and Literary Fund loans. Excludes revenue bonds, capital leases, and compensated absences.

Ratio of Annual Debt Service Expenditures for General Bonded  
Debt (1) to Total General Governmental Expenditures  
Last Ten Years

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures (3)</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
1994-95	\$ 1,163,461	\$ 905,012	\$ 2,068,473	\$ 40,930,434	5.05%
1995-96	894,827	837,546	1,732,373	42,481,465	4.08%
1996-97	935,391	877,442	1,812,833	54,358,211	3.33%
1997-98	1,350,166	1,228,099	2,578,265	55,803,143	4.62%
1998-99	1,397,776	1,100,530	2,498,306	55,021,931	4.54%
1999-00	1,443,594	1,073,122	2,516,716	61,180,232	4.11%
2000-01	1,357,557	1,566,187	2,923,744	69,331,936	4.22%
2001-02	1,518,820	1,523,903	3,042,723	79,201,868	3.84%
2002-03	2,049,803	1,895,882	3,945,685	74,825,316	5.27%
2003-04	2,065,422	1,771,917	3,837,339	82,184,683	4.67%

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes General and Capital Project Fund of the Primary Government and its discretely presented component unit.

Computation of Direct and Overlapping Bonded Debt  
At June 30, 2004

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Direct: (1)

County of Culpeper	\$	<u>32,615,263</u>	<u>100.00%</u>	\$	<u>32,615,263</u>
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(1) Includes general obligation bonded debt.

The County of Culpeper has no overlapping debt.

## COUNTY OF CULPEPER, VIRGINIA

Property Value, Construction and Bank Deposits  
Last Ten Fiscal Years

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Fiscal Year	Residential Construction Permits	Valuation	Commercial Construction Permits	Valuation	Miscellaneous Construction Permits
1994-95	254	\$ 28,445,522	41	\$ 8,179,754	505
1995-96	261	30,436,998	29	12,073,473	572
1996-97	301	35,714,899	29	10,205,799	456
1997-98	295	35,987,680	72	12,812,829	436
1998-99	328	37,772,814	66	7,614,385	434
1999-00	261	35,704,674	220	3,703,310	1,623
2000-01	320	47,181,480	112	4,205,762	1,879
2001-02	413	53,295,131	29	3,683,400	912
2002-03	365	66,407,971	131	10,394,484	1,156
2003-04	296	61,436,208	54	67,492,424	2,092

N/A - amounts not available

\* Amounts expressed in thousands

1 Source: Culpeper County Planning Department

2 Source: Financial Institutions Data Exchange

Table 11

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<u>Valuation</u>	<u>Bank Deposits</u>	<u>Residential</u>	<u>Commercial</u>	<u>Agriculture</u>	<u>Non-Taxable</u>
\$ 8,892,040	\$ 338,432	\$ 896,846,800	\$ 234,803,200	\$ 361,306,000	\$ 94,202,700
9,437,824	354,012	927,151,300	240,473,600	364,163,000	97,546,400
10,814,428	356,625	966,380,800	243,383,400	365,603,800	99,871,900
8,580,190	355,675	1,005,147,900	247,485,200	363,264,200	102,387,000
8,319,775	N/A	1,095,184,100	269,265,800	390,650,800	140,631,800
3,703,310	N/A	1,172,557,300	239,399,400	391,988,100	144,565,600
9,572,979	N/A	1,223,079,100	240,243,100	393,621,400	147,549,400
8,267,326	N/A	1,272,177,000	243,258,200	395,764,200	148,098,400
4,592,876	N/A	1,327,361,800	244,728,200	258,342,400	160,929,800
25,661,437	N/A	1,942,357,700	344,680,600	631,925,900	266,247,300

Demographic Statistics  
Last Ten Fiscal Years

<b>Year</b>	<b>Population (1)</b>	<b>School Enrollment</b>	<b>Unemployment Rate (2)</b>
1994-95	31,200	5,067	4.60%
1995-96	31,700	5,166	4.80%
1996-97	32,200	5,247	3.30%
1997-98	32,700	5,327	2.30%
1998-99	33,083	5,522	2.00%
1999-00	33,400	5,555	1.60%
2000-01	34,262	5,594	1.60%
2001-02	34,700	5,760	2.10%
2002-03	35,900	5,991	3.50%
2003-04	37,500	6,154	2.60%

(1) U. S. Census Bureau

(2) Virginia Employment Commission



Principal Taxpayers

At June 30, 2004

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Assessed Valuation</b>	<b>% of Total Assessed Valuation</b>
SWIFT, Inc.	Communications	\$ 25,558,450	0.74%
Continental Teves	Manufacturing	14,316,331	0.41%
Rochester Corp.	Cable Manufacturer	12,991,878	0.38%
Omni Services, Inc.	Holding company	6,330,046	0.18%
PNC Leasing	Leasing	5,976,924	0.17%
Communications Corporation of America	Consulting/Mail Services	5,804,838	0.17%
Cargill, Inc.	Flower Mill	3,646,789	0.11%
Commercial Erectors, Inc	General Contractor	2,589,313	0.07%
Cedar Mountain Stone Corp	Stone Corporation	2,165,671	0.06%
Luck Stone Corp	Stone Corporation	2,041,237	0.06%
Totals		\$ <u>81,421,477</u>	<u>2.36%</u>

Miscellaneous Statistics  
At June 30, 2004

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Date of Incorporation	1749
Form of Government	Board of Supervisors/ County Administrator
Area in square miles	381
<b>Public Safety</b>	
Fire and rescue companies	8
Volunteer firefighters	304
Sheriff's employees	91
<b>Education</b>	
Schools	7
Number of teachers	508
Number of students	6,154
<b>Recreation and Culture</b>	
Number of parks and recreation facilities	3
Number of libraries	1
<b>Employees at June 30, 2004</b>	
General government (includes public safety)	469
School division (includes teachers)	1,121

## COMPLIANCE SECTION



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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To The Honorable Members of  
The Board of Supervisors  
County of Culpeper, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Culpeper, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the County of Culpeper, Virginia's basic financial statements and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Specifications for Audits of Counties, Cities, and Towns issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Culpeper, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain matters that we reported to management of the County of Culpeper, Virginia, in a separate letter dated October 8, 2004.

This report is intended solely for the information and use of the Board of Supervisors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

October 8, 2004

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of  
The Board of Supervisors  
County of Culpeper, Virginia

### Compliance

We have audited the compliance of the County of Culpeper, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The County of Culpeper, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Culpeper, Virginia's management. Our responsibility is to express an opinion on the County of Culpeper, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Culpeper, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Culpeper, Virginia's compliance with those requirements.

In our opinion, the County of Culpeper, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of the County of Culpeper, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Culpeper, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

October 8, 2004



**COUNTY OF CULPEPER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<b>Primary Government:</b>		
<u>DEPARTMENT OF AGRICULTURE:</u>		
<u>Pass through payments:</u>		
Department of Social Services:		
State administration matching grants for food stamp program	10.561	\$ 367,046
Department of Aviation		
Pass Through Payments:		
Department of Aviation:		
Airport grant	20.106	\$ 3,473,841
Department of Housing and Community Development:		
Pass through payments:		
Community development block grant	14.228	\$ 4,850
Department of Health and Human Services:		
Direct Payments:		
Head start	13.600	\$ 763,305
Pass Through Payments:		
Department of Social Services:		
Family preservation and support	93.556	16,393
Temporary assistance to needy families	93.558	463,994
Refugee and entrant assistance	93.566	822
Low income energy assistance	93.568	8,395
Child care assistance	93.575	343,092
Child care and development fund	93.596	903,088
Foster care	93.658	416,414
Adoption assistance	93.659	122,835
Social services block grant	93.667	168,558
Independent living	93.674	9,478
Medical assistance program	93.778	269,435
Total Department of Health and Human Services		\$ 3,485,809
National Foundation on the Arts and Humanities:		
Pass Through Payments:		
Promotion of the arts	45.003	\$ 5,000
Virginia Employment Commission:		
Pass Through Payments:		
Welfare investment act--adult program	17.258	\$ 140,201
Total Virginia Employment Commission		\$ 140,201
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Services:		
Drug control and system improvement	16.579	\$ 35,283
Universal hiring grant	16.000	45,000
COPS grant	16.000	148,112
Asset forfeiture	16.000	4,945
Violence against women formula grants	16.588	44,380
Total Department of Justice		\$ 277,720

**COUNTY OF CULPEPER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2004 (Continued)

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
Department of Transportation :		
Pass through payments:		
State and community highway safety program	20.600	\$ <u>8,441</u>
Department of Homeland Security :		
Pass through payments:		
Disaster relief public assistance	97.036	\$ 20,460
Emergency management preparedness grant	97.042	<u>10,140</u>
Total Department of Homeland Security		\$ <u>30,600</u>
Total Expenditures of Federal Awards-Primary Government		\$ <u><u>7,793,508</u></u>
<b>Component Unit School Board:</b>		
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution -- Schools	10.555	\$ 86,339
Department of Education:		
National school lunch program	10.555	486,188
National school breakfast program	10.553	<u>149,918</u>
Total Department of Agriculture		\$ <u>722,445</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title 1 grants to local educational agencies	84.010	\$ 901,757
Handicapped preschool & school programs --		
Handicapped - state grants -- Title VI-B	84.027	1,670,114
Vocational education program improvement --		
Vocational education -- basic grants to states	84.048	97,960
General education - drug free schools --		
Drug-free schools and communities	84.186	17,954
Special Projects:		
Title III	84.365	4,921
Smaller learning communities	84.000	170,925
Title V -- Part A	84.298	88,120
Technology literacy challenge	84.318	13,296
Preschool	84.173	45,122
Title II -- Part A	84.367	254,974
21st century	84.287	<u>112,385</u>
Total Department of Education		\$ <u>3,377,528</u>
Total Expenditures of Federal Awards-Component Unit School Board		\$ <u>4,099,973</u>
Total Expenditures of Federal Awards-Reporting Entity		\$ <u><u>11,893,481</u></u>

## COUNTY OF CULPEPER, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2004

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#### Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Culpeper, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

#### Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the County's basic financial statements.

#### Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 4,314,816
Capital Projects Fund	4,850
Airport Fund	<u>3,473,841</u>
Total primary government	<u>\$ 7,793,507</u>

Component Unit Public Schools:

School Operating Fund	\$ 3,377,529
School Cafeteria Fund	636,106
Total component unit public schools	<u>\$ 4,013,635</u>
Total federal expenditures per basic financial statements	<u>\$ 11,807,142</u>

Non-cash expenditures - value of donated commodities	<u>\$ 86,339</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 11,893,481</u></u>
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## COUNTY OF CULPEPER, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2004

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### Section I - Summary of Auditor's Results

#### **Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

#### **Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section . 510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
13.600	Head start
10.561	Food Stamps
93.596	Child care and development fund - CCDF cluster
93.575	Child care assistance - CCDF cluster
93.658	Foster care
93.778	Medical assistance program

Dollar threshold used to distinguish between Type A and Type B programs	\$356,804
Auditee qualified as low-risk auditee?	Yes

### Section II - Financial Statement Findings

There are no financial statement findings to report.

### Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.